



GREEN  
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# Report of the Ninth Meeting of the Board, 24–26 March 2015

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**GCF/B.09/24**

27 August 2015

**Meeting of the Board**

24-26 March 2015

Songdo, Republic of Korea

Agenda item 31

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## Report of the Ninth Meeting of the Board, 24–26 March 2015

### Agenda item 1: Opening of the meeting

1. The Co-Chairs opened the meeting on 24 March 2015.
2. They welcomed the new members of the Board: Mr. Yingming Yang, Ms. Ingrid-Gabriela Hoven, Mr. Jacob Waslander and Ms. Clare Walsh; and alternate members of the Board: Mr. Nojibur Rahman, Mr. Christian Salas, Mr. Andrey Bokarev, Ms. Aize Azqueta, Mr. Petr Kalas, Mr. Georg Børsting and Mr. Hoe Jeong Kim. It was noted that Mr. Hoe Jeong Kim would join the meeting on 26 March.
3. The Co-Chairs acknowledged those members and alternate members of the Board (hereinafter Board members and alternate members) who were not able to join the meeting: Mr. Omar El-Arini, Mr. Nauman Bashir Bhatti, Mr. David Kaluba and Mr. Marcin Korolec.
4. The Co-Chairs expressed their appreciation to the Government of the Republic of Korea and to the City of Incheon. They noted that this was the first meeting of the Board to be hosted in the boardroom of the headquarters of the Green Climate Fund (the Fund).
5. The Co-Chairs underlined that 2015 represented a landmark in multilateral efforts to address climate change and stressed that the work of the Fund needed to be commensurate with the level of the climate challenge.
6. The Executive Director, Ms. HÉla Cheikhrouhou, was invited to make introductory remarks. She welcomed all members of the Board and all other participants to the first meeting of the Board held at the Fund's headquarters. She noted that the Board had a critical and historic responsibility in 2015 to turn pledges into projects and programmes to deliver on the ground action as required by the science.
7. The Secretary to the Board provided information on organizational arrangements for the meeting and reminded participants that one adviser per member and alternate member of the Board is allowed in the boardroom to observe Board proceedings at any one time, in accordance with the guidelines on the participation and conduct of advisers in meetings of the Board.

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

8. The Co-Chairs introduced the provisional agenda as set forth in document GCF/B.09/01/Rev.01 *Provisional Agenda*.
9. The Co-Chairs reminded that the provisional agenda was first distributed as document GCF/B.09/01 on 13 February 2015, in accordance with paragraphs 18 and 19 of the Rules of Procedure of the Board. A revised version of the provisional agenda with an amended sequence of agenda items and a tentative timetable was later distributed as document GCF/B.09/01/Rev.01 on 5 March 2015.
10. A number of Board members thanked the Secretariat and the Government of the Republic of Korea for the meeting arrangements.
11. Several matters were raised by members Board members concerning the volume of items on the agenda, the duration and number of meetings held per year and various procedural issues in terms of ensuring that the meeting is run efficiently. A Board member expressed a wish

to hear the views of other Board members on whether there should be four meetings per year to have any realistic possibility of achieving the Work plan for 2015.

12. Another Board member stressed that much was needed to be done ahead of the United Nations climate change negotiating meeting to be held in June in Bonn, Germany. He asked why the status of the Initial Resource Mobilization (IRM) was not on the agenda as a stand-alone item. The Co-Chairs noted that this would be covered under the report of the activities of the Secretariat. Several members stated that this was not acceptable and requested that it be dealt with as a separate item early in the meeting. They also insisted that it be a stand-alone item at all future meetings.

13. A Board member stated that the provisional agenda included many items of importance to the least developed countries (LDCs), small island developing States (SIDS) and African States. He wished to know why an item which was previously number 4 on the provisional agenda (“Additional modalities that further enhance direct access: Terms of reference for a pilot phase”) had been moved to number 20. He requested that it be moved up.

14. Another Board member, noted that the informal Board dialogue held in the Hague, the Netherlands, had been very valuable in helping to improve the efficiency of the present meeting in order to have first investments ready for the third meeting of the Board. He noted priorities for the work plan for 2015, including gender policy and enhancement of direct access.

15. A Board member requested that members be kept informed in the coming months on readiness, IRM and accreditation. Another Board member said that he needed to hear an update from the Secretariat on readiness as it was essential to have early disbursement of resources.

16. The Co-Chairs said that the agenda was the product of careful thought which aimed to provide discussion of substantial items early in the meeting. After further discussion and with the approval of the Board, it was agreed to add a new item to the agenda as item 6, “Status of the Initial Resource Mobilization”. It was also agreed to make this a stand-alone item at future meetings.

17. As the Co-Chairs established that there was a quorum, the Board adopted the agenda as set forth in document GCF/B.09/01/Rev.02 *Agenda*, as follows:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of the eighth meeting
4. Report on activities of the Co-Chairs
5. Report on activities of the Secretariat
6. Status of the Initial Resource Mobilization
7. Reports from committees and panels
8. Work plan for 2015
9. Analysis of the expected role and impact of the Green Climate Fund
10. Policy on ethics and conflicts of interest for the Board
11. Financial terms and conditions of the Fund’s instruments
12. Further development of the initial investment framework: Sub-criteria and methodology
13. Initial risk management framework: Survey of methodologies to define and determine risk appetite
14. Consideration of accreditation proposals

15. Legal and formal arrangements with accredited entities
16. Private Sector Facility: Potential approaches to mobilizing funding at scale
17. Private Sector Facility: Working with local private entities, including small and medium-sized enterprises
18. Status report on the operations manual and the appraisal toolkit
19. Terms of reference of the independent Technical Advisory Panel
20. Decision-making procedures for the Board in the absence of consensus
21. Additional modalities that further enhance direct access: Terms of reference for a pilot phase
22. Template for the bilateral agreement on privileges and immunities
23. Gender policy and action plan
24. Administrative guidelines on the budget and accounting system
25. Administrative guidelines on the internal control framework and internal audit standards
26. Methodology for decisions taken in between meetings
27. Initial term of Board membership
28. Information note on the administrative guidelines on human resources
29. Date and venue of the tenth meeting of the Board
30. Other matters
31. Report of the meeting
32. Closure of the meeting

### **Agenda item 3: Adoption of the report of the eighth meeting**

18. The Co-Chairs drew the Board's attention to the draft report of the eighth meeting of the Board, which was transmitted to the Board on 13 February 2015 for a two-week review period as document GCF/B.08/46/Drf.1.
19. During the review period, no comments were received and a final version of the draft report was transmitted to the Board on 2 March 2015 for its consideration during the ninth meeting of the Board.
20. There were no comments received from the Board. The decision was duly adopted.

#### *DECISION B.09/01*

*The Board, having reviewed document GCF/B.08/46 Report of the Eighth Meeting of the Board, 14-17 October 2014:*

- (a) Adopts the report of the eighth meeting of the Board contained in document GCF/B.08/46; and
- (b) Agrees to publish the report on the Fund's website (document GCF/B.08/46 Report of the Eighth Meeting of the Board, 14-17 October 2014).

## Agenda item 4: Report on activities of the Co-Chairs

21. The Co-Chairs opened the item and informed the Board that document GCF/B.09/Inf.02 *Report on Activities of the Co-Chairs* had been transmitted to the Board on 16 March 2015. It contained information on the main activities undertaken by the Co-Chairs between their election on 17 October 2014 at the eighth meeting of the Board and February 2015.
22. The Co-Chairs highlighted some of the main activities:
- (a) The organization of an informal Board dialogue in collaboration with the Government of the Netherlands and with the support of the Secretariat, which was held in the Hague on 19-20 January 2015; and
- (b) The transmittal of between-meeting documents and draft decisions, as follows:
- (i) Decisions:
- Decision B.BM-2014/06 *Decision of the Board on the Date and Venue of the Ninth Meeting of the Board*. Transmitted and posted on 20 December 2014;
  - Decision B.BM-2015/01 *Decision of the Board on the Endorsement of the Sixth Expert to the Accreditation Panel* (see decision B.08/20, paragraph (b)). Transmitted and posted on 30 January 2015;
  - Decision B.BM-2015/02 *Decision of the Board on the Appointment of the External Auditors* (see decision B.08/18, paragraph (b)). Transmitted and posted on 13 March 2015; and
  - Decision B.BM-2015/03 *Decision of the Board on the Accreditation of the Observer Organization*. Transmitted and posted on 24 March 2015.
- (ii) Information documents:
- Document GCF/BM-2015/Inf.01/Rev.01 *Outcome of the first GCF Pledging Conference and Pledges as of 31 December 2014*. Transmitted and posted on 18 February 2015;
  - Document GCF/BM-2015/Inf.02 *Status of Resources and Execution of the Administrative Budget of the Green Climate Fund for 1 January to 31 December 2014*. Transmitted and posted on 19 February 2015; and
  - Document GCF/BM-2015/Inf.03 *Green Climate Fund Trust Fund Financial Report as of 31 December 2014*. Transmitted and posted on 19 February 2015.
- (iii) As per decision B.06/08, a proposal for the establishment and terms of reference of the Appointment Committee was transmitted as document B.BM-2015/02 *Establishment and Terms of Reference of the Appointment Committee* on 13 February 2015 for a decision between meetings. During the consideration period of this proposal, comments were received from the Board which were transmitted to the Board by the Secretariat on 12 March 2015. It was decided to defer the consideration of this item to the ninth meeting of the Board under agenda item “Other matters”.
- (c) Furthermore, the Co-Chairs informed the Board about their engagement in the preparation of the following documents:
- (i) Documents GCF/B.09/01 and GCF/B.09/01/Rev.01 *Provisional Agenda*; and
- (ii) Document GCF/B.09/02 *Work Plan for 2015*.

23. The Co-Chairs also reported on their follow-up on the timely delivery of documents relating to the ninth meeting of the Board.
24. With regard to observer participation, the Co-Chairs informed the meeting that they had approved the documentation and timeline for the sixth round of application for accreditation of observer organizations to the Fund.
25. The Board took note of the information provided orally by the Co-Chairs and of their written report as contained in document GCF/B.09/Inf.02.

## **Agenda item 5: Report on activities of the Secretariat**

26. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.09/Inf.03 *Report on Activities of the Secretariat* and its addendum, GCF/B.09/Inf.03/Add.01 *Report on Activities of the Secretariat – Addendum*, which contains the progress report on the readiness and preparatory support programme. They invited the Secretariat to introduce the item.
27. The Executive Director reported on key areas of day-to-day operations and progress, including:
- (a) The progress made by a number of countries in designating national designated authorities (NDAs) or focal points;
  - (b) Steps undertaken to implement the decision on readiness and preparatory support;
  - (c) Operationalizing the Board decision on accreditation and that the online accreditation system had gone live on time;
  - (d) On-going work in supporting committees of the Board, in particular:
    - (i) The Accreditation Committee in the nomination of the sixth member of the Accreditation Panel and in providing guidance to the Secretariat in the development of *Legal and Formal Arrangements with Accredited Entities* (GCF/B.09/03) as well as *Additional Modalities that Further Enhance Direct Access* (GCF/B.09/04);
    - (ii) The Accreditation Panel in the review of accreditation applications;
    - (iii) The Investment Committee in guiding the further development of the Investment Framework (GCF/B.09/07); and
    - (iv) The Ethics and Audit Committee in facilitating the appointment of an external auditor and in developing terms of reference for an internal auditor;
  - (e) A high level of interest in the Fund from a wide range of institutions and countries; and
  - (f) Pledges to meet these needs had been made in Berlin, Germany, in the run-up to and at the twentieth session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) at an unprecedented speed and scale.
28. A representative of the Secretariat drew the attention of the Board to document GCF/B.09/Inf.03/Add.01, which set out the progress made on the readiness and preparatory support programme, and the work conducted to strengthen NDAs and focal points. In particular, he reported on the organization of regional workshops, as well as one-to-one work with them by Secretariat staff. He also outlined the development of a user guide and legal documentation to help NDAs and focal points, and a mechanism to coordinate with other institutions managing similar Fund-related readiness programmes.

29. Several Board members, expressed disappointment with the lack of detail in the report on readiness and preparatory support and called for a clear implementation plan. One member expressed the sentiment that perhaps the Secretariat required support due to a lack of sufficient expertise in terms of a procurement specialist to address the disbursement of funds.
30. Concerns were also expressed by several Board members over the low disbursement of readiness funding. A member suggested that the Fund might need to take a wholesale (or standardized) approach towards disbursing readiness funds for eligible activities and costs agreed to at the eighth meeting of the Board, given capacity constraints in the Secretariat regarding staff specializing in procurement and financial management.
31. A Board member emphasized that the biannual readiness report should include sufficient information on delivery of the programme, showing the clear capacity of the Secretariat to implement it. To this end, he requested the Secretariat to reissue the progress report to the Board, as early as possible, and the second biannual report at the tenth meeting of the Board. Other Board members recommended that details of the activities carried out under the programme, the budget, and plans for disbursement and implementation be included in the next report.
32. One Board member raised further concerns about the over-reliance on consultants, and questioned the mandate and use of financial resources for their travel and the Secretariat staff. He believed that the Secretariat should inform the Board of its planned activities and outreach at international forums to ensure that situations are avoided in which Board members are confronted with questions to which they cannot reply as they have not been kept sufficiently well-informed, and to ensure that outreach and work remains in line with the guidance of the Board.
33. Another Board member echoed these sentiments, noting further that the Secretariat should not forget that every system and procedure it sets up has consequences. As such, he believed that the Fund needed to be cautious in sending messages, especially through international events and interaction with institutions, while still ensuring visibility. He enquired as to the existence of an official Fund spokesperson, suggesting that the mandate be bestowed upon the Executive Director. He also suggested that details and lessons learned from events attended by the Fund should be included in the next report.
34. A Board member emphasized that readiness played a central role in ensuring that the Fund could ensure country ownership and direct access. Another Board member expressed concern that the delivery model of the programme was being designed to favour introducing consulting firms rather than being driven by countries.
35. A Board member pointed out that NDAs and focal points from LDCs had stressed the importance of direct access to the Fund's resources, expressing a desire to see their national entities quickly meeting the standards of the Fund to become accredited under the direct-access stream. He also noted that the current readiness programme was useful but needed to be more comprehensive and targeted at LDCs.
36. Other Board members also pointed out that the focus of the programme should be placed on NDA and focal point strengthening, so that the Fund could work with competent NDAs and focal points in the future. A Board member placed emphasis on supporting accreditation under direct access.
37. Several Board members called for the Secretariat to clearly spell out its needs and the challenges that hampered its progress, so that the Board could provide guidance accordingly. It was suggested that the Secretariat seek further clarification from the Board if initial guidance was not clear enough.
38. Two Board members stated that the programme needed to develop a clearer strategy with objectives, targets, budgets and evaluation of performance.

39. The Executive Director acknowledged the comments made, suggesting a monthly or weekly bulletin to the Board with updates on activities. She accepted that a wholesale approach for the delivery of readiness and awareness-raising could be key, ensuring that the right events were targeted. She outlined the use of information technology and web platforms as being time- and resource-saving in these areas. She also called on Board members to carry out advocacy work on behalf of the Fund, in particular, using the Fund-specific business cards to be handed out to each member.

40. A representative of the Secretariat noted that consultants had had to be hired over recent months to cover the extra capacity requirements related to a peak period in NDA nominations. He acknowledged that a more wholesale approach and South-South learning could help to ease this burden. He reiterated that an NDA user guide would soon be published, and emphasized that regional events were effective in reaching out to many NDAs at the same time.

41. The Co-Chairs noted that a more detailed report would be submitted to the Board by the end of April, and that the second biannual report on readiness activities would be presented at the tenth meeting of the Board, under a specific agenda item.

42. The Board took note of document GCF/B.09/Inf.03 and its addendum.

## **Agenda item 6: Status of the Initial Resource Mobilization**

43. The Co-Chairs opened the item as new agenda item 6, replacing the former agenda item of the same number. The item had been added to the agenda following requests from Board members under agenda item 5, "Report on activities of the Secretariat", that the status of resources of the IRM process be presented as a separate agenda item at the present meeting of the Board and as a standing agenda item at future meetings of the Board.

44. Representatives of the Secretariat were invited to introduce the item.

45. The Executive Director invited the Chief Financial Officer and Director of Support Services to address the Board, followed by the General Counsel.

46. The Chief Financial Officer and Director of Support Services presented the status of the IRM, including the status of effectiveness, pledges, targets and the pledge tracker.

47. The General Counsel then provided a presentation on the legal status of the IRM process. He set out the aim of finalizing all processes by early April 2015 and signing of the agreements by the end of April, and expressed confidence in achieving this aim.

48. The Co-Chairs then opened the floor for discussion. Many Board members expressed their appreciation for holding the first meeting of the Board at the Fund's headquarters in Songdo, Republic of Korea.

49. A Board member asked for clarification on what constitutes country-specific needs in arrangements, and sought assurance that there would be no form of earmarking in the agreements as this would run contrary to what was decided at the eighth meeting of the Board.

50. The Board member from France stated that this was a key priority and, whilst challenging in view of the amount of technical and legal work to be completed, it would be feasible to meet the deadline. He informed the Board that in order to progress matters further, the French team would be working with the Secretariat in parallel with the meeting of the Board.

51. A Board member thanked the Secretariat for the update. He noted the need for a strategic plan and the need to meet with larger contributors. He expressed the view that given the constraints, the target deadline for ensuring that 50 per cent of funds were committed in signed agreements would not be met. He stated that the initial priority should be the signing of

agreements, focusing on larger pledges, while continuing to mobilize resources as the Fund remained far from the US\$ 100 billion annual target by 2020 and the US\$ 30 billion target agreed in 2009 through the Copenhagen Accord.

52. Another Board member enquired as to the legal consequences if the 30 April effectiveness deadline were not met.
53. A Board member thanked the Secretariat for the update, and recognized that setting a deadline had been optimistic. He noted that individual contracts with contributors would have to reflect conditionalities, if any. He enquired as to whether the agreements could be circulated to the Board in order to ensure that they did not conflict with Board decisions. He also enquired whether a backup plan was in place if the deadline were not to be met, and stressed that a unified message would need to be communicated in that event. He noted that having no backup plan would send a poor message.
54. The Board member from Switzerland noted that it was good to see where the Fund staff work, and that the meeting room had a boardroom atmosphere which would have a positive influence on their work. He endorsed the idea of posting weekly updates on the Fund's website on the status of the IRM. He explained that Switzerland was in discussions with the Secretariat and the Interim Trustee, but that this case was simple, being grant-only. He called on larger countries to speed up in the process as their contributions would be needed to reach the target of 50 per cent, and expressed the view that the willingness was there. He also asked whether there would be any legal issues if the first deadline were not met, but expressed reluctance to set another date and optimism that the process could move swiftly with the support of the Interim Trustee.
55. A Board member from Japan noted that on 20 February 2015, there had been a Japanese cabinet decision to submit a new legislation to contribute to the Fund, and that hard work was being carried out to ensure approval by the deadline. He noted further that the main goal was the smooth operationalization of the Fund.
56. A Board member from the United States of America stated that the government was working hard to ensure that its contribution agreement would be completed in a timely manner in collaboration with the Fund's General Counsel. He also mentioned the need for extensive briefings and explanation in his country due to the significant commitment of public funds. He remarked that the deadline of 30 April would not be met owing to the United States' appropriations process and budget cycle, however, the country would strive for completion as soon as possible. Regarding the agreements, he stated that it was essential that there was nothing in them which would run contrary to the wishes of the Board.
57. A Board member from the United Kingdom of Great Britain and Northern Ireland noted that the deadline was useful in providing a sense of urgency. She stated that constraints existed in the United Kingdom owing to the upcoming general election – the British Parliament would be in session for just one more week with the current set of ministers – but also expressed confidence in meeting the deadline. However, she stressed that no additional conditionality should be set out, and agreed that all contribution agreements should be made public.
58. An alternate member from Norway reported that the government was working hard to arrange its contribution, and was optimistic that it could be concluded by April. He supported the proposal of the Secretariat to provide information on the status of the IRM on the Fund's website for transparency and to exert pressure on those that have pledged, as well as to attract new contributions. He agreed that the Fund should be prepared for the eventuality that the deadline might not be met, but stated that no new deadline should be set. Rather, he preferred a communications strategy to be set out and then communicated, if there were no legal implications of this action.

59. A Board member from Italy stated that Italy and Spain saw this agenda item as key, and were working hard to meet the deadline, although she could not provide a guarantee. She supported publishing contribution agreements for reasons of transparency.
60. A Board member from Germany expressed confidence in meeting the deadline, which provided discipline, and in specific matters of contribution agreements being clarified. She entreated the Secretariat to inform the Board if any additional support was required on the matter so that they could provide an extra push in political terms. She noted that the Fund was a new institution and process, with new templates, requiring more “back and forth” than other replenishment processes, but that the Fund had achieved results in record time. She requested the Secretariat to provide weekly updates and share information with the broader public. She expressed optimism in meeting the deadline, but if this were not possible, there would still be time between meetings if other remedies or measures were necessary. She believed that setting a second deadline would be counter-productive.
61. A Board member from Australia stated that the government had been working hard since the pledge made at the twentieth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 20), and although it was striving to meet the deadline, it could not shortcut domestic processes. She highlighted that Czech colleagues had also signed their contribution.
62. A Board member from the Netherlands noted that the issue was political – the funds were in the budget but required the right contract. He expressed hope that the Netherlands would soon be ready to sign off. He noted that Denmark had already signed off and fulfilled legal commitments.
63. A Board member from Sweden noted that the deadline set was very ambitious, but that Sweden's significant contribution would be made by the end of April. He made special mention of Belgium, which had already paid in US\$ 40.6 million equivalent.
64. A Board member stated that he was encouraged by the responses from colleagues and agreed that if the deadline were not to be met, the Board would need a unified communications strategy.
65. Another Board member expressed gratitude for the information provided and the positive atmosphere, and expressed understanding of the internal requirements, laws and bureaucracy of contributors, but noted that the process could not be left open-ended. He suggested setting out a course of action if the deadline were missed, such as an emergency meeting of the Board to set another deadline. He also brought to the attention of the Board the Asian Infrastructure Investment Bank – led by China – with an initial capitalization of US\$ 50 billion. He noted that this multilateral development bank would act as a new competitor to the World Bank and would provide further support to the environmental cause.
66. The Co-Chairs noted that the process was not being left open-ended as a clear deadline was in place, so talking about a new deadline would temper ambition.
67. One Board member agreed with the Co-Chairs on keeping the original deadline and the message it would send, as well as the need to ensure individual country agreement specificities do not run contrary to what has been agreed by the Board.
68. A civil society organization (CSO) active observer welcomed the pledge tracker but noted that the scale required was not being reached by all. She highlighted that many thought that funds were already available and did not understand political constraints. She stated that expectations were high for the Fund to be a vehicle for change, beginning with strong NDAs, with good readiness programmes, and effective and meaningful stakeholder engagement. She further stated that the body of the Fund required blood to flow in the form of funds to ensure that it would be a “Fund of hope not a Fund of hype”.

69. The Executive Director stated that contribution agreements would be made public on the website. She explained the need for country-by-country deliberations which was due to the variety of instruments accepted, including grants, capitals and loans, therefore requiring country-specific encashment schedules, and some tailoring on legal provisions, for example on fiduciary and accountability aspects. However, she noted the need to rein in the enthusiasm of lawyers. She stressed that if the deadline of 30 April were not to be met, it would be a breach of Fund contribution policy, and might undermine its credibility as a new institution. She noted that there are two types of limit breach:

- (a) Technical, exceeding a limit by a few days or weeks; and
- (b) Structural, in which case a higher authority can be asked to change the limit as a last resort.

70. She expressed optimism, realism and encouragement at seeing the mobilization of teams in contributor countries. She further noted that, as a new fund with new policies, drafting documents compliant with the mandate will take time, but she was confident that the deadline could be met.

71. The Executive Director presented a table showing the indicative and evolving list of countries that pledged in Berlin on 20 November 2014. She stated that if the contribution agreements were signed on time with nine countries (France, Germany, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland and the United Kingdom, in addition to four countries which have already signed), this would represent more than 50 per cent of the Berlin pledges. This assumed that all nine countries would successfully meet the deadline to sign the agreement by the end of April as per their latest indications and the ongoing dialogue with them. She noted that this was based on a strict interpretation of Annex II, paragraph 1, item (c), of document GCF/B.08/16 *Policies for Contributions to the Green Climate Fund: Recommendations by Interested Contributors*:

*“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 Conference are reflected in fully executed contribution agreement/arrangements received by the Secretariat no later than April 30, 2015.”*

72. The Co-Chairs noted the consensus that setting a backup date or plan would send a signal of reduced ambition, and thus suggested:

- (a) To track the situation;
- (b) To update the website on a weekly basis with all signed agreements made public; and
- (c) The Co-Chairs were given a mandate to take action according to the situation at the end of April.

73. A Board member thanked the Co-Chairs for the suggestion, but noted that they would have to bear responsibility for answering the question of how to deal with the situation if the deadline were to be missed. He requested to put in record that he had tried to obtain a backup plan but Board members had decided to leave the matter with the Co-Chairs.

74. The Board took note of the verbal reports on the status of the initial resource mobilization and requested the Secretariat to inform it periodically on the matter.

75. The Co-Chairs undertook to update the Board in the event that the Fund’s effectiveness deadline of 30 April will not be met.

## Agenda item 7: Reports from committees and panels

76. The Co-Chairs opened the item and drew the Board's attention to document GCF/B.09/Inf.04 *Report from Committees and Panels*, containing the report from the Accreditation Panel. The Accreditation Committee (AC), Investment Committee (IC), Risk Management Committee (RMC), Ethics and Audit Committee (EAC) and the Private Sector Advisory Group (PSAG) were also invited to give oral reports to the Board.

### A. Accreditation Committee – Ambassador Jan Cedergren (Chair)

77. The Chair of the Accreditation Committee, Ambassador Jan Cedergren, reminded the Board that the AC had four members: Mr. David Kaluba (Zambia), Mr. Patrick McCaskie (Barbados), Mr. Arnaud Buisse (France) and Ambassador Cedergren (Sweden).

78. The role of the AC was to oversee the framework and processes of accreditation, in accordance with the Board's decisions.

79. The AC had met twice virtually during the reporting period and also exchanged a number of documents and e-mail messages. The AC had discussed documents GCF/B.09/03 *Legal and Formal Arrangements with Accredited Entities* and GCF/B.09/05 *Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase*. The AC had also proposed the nomination of the sixth member of the Accreditation Panel.

80. As the mandate of the AC was coming to an end, Ambassador Jan Cedergren, on behalf of the AC, proposed that the AC continue to follow the accreditation work.

### B. Accreditation Panel – Mr. Peter Carter (Chair)

81. The Chair of the Accreditation Panel, Mr. Peter Carter, introduced the AP as comprising a team of six independent technical experts who were located globally across five different continents. The AP's work since the eighth meeting of the Board leading up to the ninth meeting had focused primarily on the assessment of applications for accreditation.

82. The AP, working together with the Secretariat, had finalized various documents related to accreditation, including the application form, guidance to applicants and checklists to assist in the review of applications. In some cases, external consultants, including both a firm and independent individual consultants, had assisted the AP in its review of applications.

### C. Ethics and Audit Committee – Mr. Ayman Shasly in the absence of Mr. Marcin Korolec (Chair)

#### • Ethics activities

83. Mr. Ayman Shasly, on behalf of the Chair of Ethics and Audit Committee, Mr. Marcin Korolec, reported that the EAC had held eight meetings since 20 January 2015 to discuss the draft policy on ethics and conflicts of interest for the Board for consideration by the Board at its ninth meeting. The EAC meetings were held jointly with the Secretariat, both virtually and in-person, in Songdo.

84. To finalize its review of the draft policy, the EAC extensively discussed the following:

- (a) Provisions of the policy relating to the standard of conduct of Board members;
- (b) Duty to disclose outside affiliations, conflicts of interest, disclosure of information policies; and
- (c) Procedures for dealing with non-compliance with the policy.

85. The EAC had presented document GCF/B.09/16 *Policy on Ethics and Conflicts of Interest for the Board* with bracketed text for the consideration of the Board, as some members of the EAC had not been able to agree on the bracketed text.

- **Audit activities**

86. Paragraph 70 of document GCF/BM-2014/01 *Administrative Policies of the Fund* stated that:

*“The Ethics and Audit Committee, in consultation with the Executive Director, would make recommendations to the Board on the appointment of an External Auditor to audit the annual financial statement of the Fund.”*

87. The EAC held two teleconferences in February 2015 to consider an evaluation memo from the Secretariat on the appointment of the External Auditor for the Fund, and following a review, the EAC recommended an External Auditor for the Board’s approval through a between-meeting decision procedure.

88. The Board approved the recommendation made by the EAC on a no-objection basis and the external audit was expected to commence from April 2015.

#### D. Investment Committee – Mr. Dipak Dasgupta (Coordinator)

89. The Coordinator of the Investment Committee, Mr. Dipak Dasgupta, reported that the IC had met three times since the last meeting of the Board in order to provide guidance on further development of the investment framework:

- (a) The IC met virtually in late November 2014 and subsequently provided written feedback on the framework in December;
- (b) It met again virtually in early February 2015 to discuss the progress and direction of the framework and subsequently provided further written inputs on the draft document; and
- (c) The IC held a final in-person meeting prior to the start of the ninth meeting of the Board.

90. The IC had discussed many important issues over the course of its three meetings, including the application of qualitative and quantitative analysis and the funding proposal assessment process.

91. The investment framework had undergone further refinement and development since the last meeting of the Board. Document GCF/B.09/07 *Further Development of the Initial Investment Framework: Sub-Criteria and Methodology*, which had been presented at the ninth meeting, provided a set of activity-specific sub-criteria and indicative assessment factors, which made the framework robust, comprehensive and ready for use. While the framework was not final and exhaustive, it would be improved over time as experience was gained through operations.

92. The document also provided two assessment methodology options, which reflected the views of the members of the IC.

#### E. Risk Management Committee – Mr. Irfa Ampri (Chair)

93. The Chair of the Risk Management Committee, Mr. Irfa Ampri, drew the attention of the Board to document GCF/B.09/13 *Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite*.

94. He informed the Board that the RMC had discussed the document and agreed that it was a good basis to proceed with the remaining steps to determine the Fund’s risk appetite. The

RMC recommended that the Board adopt the draft decision as contained in Annex I to the document in order to continue with the work mandated by the Board. However, the RMC had some recommendations that should be taken into account going forward:

- (a) First, the RMC recommended that the work going forward had to take into account that the Fund's greatest risk would be climate risk. This was the risk of not fulfilling the climate-related objectives of the Fund. Some RMC members thought that the document focused too much on financial risk to the Fund;
- (b) Second, the RMC recommended that the importance be noted of differentiating between risks that applied to financial institutions and those that applied to the Fund; and
- (c) Third, the RMC recommended that policy and investment issues that may arise should be consulted as part of the work on risk appetite with the IC. The RMC would, therefore, like to discuss such issues with the IC via a virtual meeting for the work going forward.

## F. Private Sector Advisory Group – Mr. Zaheer Fakir (Co-Chair) and Mr. Stefan Schwager (Co-Chair)

95. The Co-Chair of the Private Sector Advisory Group, Mr. Zaheer Fakir, reminded the Board that the PSAG comprised four Board members with one still to be appointed: Mr. Stefan Schwager (Switzerland), Mr. Alexander Severens (United States of America) and Mr. Fakir (South Africa), plus four private sector representatives from developed countries and four from developing countries, and two civil society representatives. He also noted that active observers usually participate in PSAG meetings.

96. He informed the meeting that the group had met virtually since the eighth meeting of the Board and in person in Songdo before the ninth meeting. In Songdo, the group had discussed the PSAG's work plan for 2015 and agreed that it should be based on the PSAG's terms of reference, which provided that the PSAG's role was to make recommendations to the Board on the Fund-wide engagement with the private sector and the modalities to that end.

97. He also indicated that documents GCF/B.08/38 *Recommendations from the Private Sector Advisory Group: Private Sector Facility: Instruments to Mobilize Private Sector Resources* and GCF/B.08/40 *Recommendations from the Private Sector Advisory Group: Private Sector Facility: Engaging Local Private Sector Actors, including Small and Medium-Sized Enterprises*, had been recirculated for the ninth meeting of the Board. He further stated that the group intended to hold two meetings between meetings of the Board in 2015, in order to make key recommendations to the Board. No decisions had been taken on the venue and times of such meetings.

98. The Board took note of document GCF/B.09/Inf.04 *Reports from Committees and Panels*, which contained the written report of the AP, and of the oral reports provided by the other committees and panels.

## Agenda item 8: Work plan for 2015

99. The Co-Chairs opened the agenda item. They drew the attention of the Board to document GCF/B.09/02 *Work Plan for 2015*, jointly developed by the Co-Chairs taking into consideration the views expressed by various Board members between meetings, in particular the proposal of the African Group during the informal dialogue held in The Hague in January 2015.

100. The Co-Chairs opened the floor for comments and guidance from the Board.

101. A Board member thanked the Co-Chairs for raising the proposal of the African Board members and highlighted the proposal's views on the strategic orientation of the Board's 2015

work plan. He raised a number of missing mandates in the draft work plan which his constituency believe are core issues for the Board to consider in 2015, subsequently submitted in writing to the Secretariat, including:

- (a) The approval process;
- (b) Coordination and coherence between the Fund and other funds;
- (c) Reference to guidance from the COP and the Fund's response to the fifth review of the Financial Mechanism;
- (d) Initiation of the process for the first formal replenishment process of the Fund;
- (e) Approaches for the compilation of country programmes;
- (f) Clarification of the process for the submission and compilation of stage zero country work programmes;
- (g) Further consideration of the role of NDAs/focal points, beyond readiness support; and
- (h) The consideration of private sector activities in relation to adaptation in Africa and actions at the national, regional and international levels.

102. He proposed an ongoing dialogue at the Board level on how to target resources towards strategic investments and portfolio allocation within the key context of country ownership and drivenness. He also proposed that in addition to considering the Fund to report to the COP at its second meeting, there should be an updated addendum on progress to be added to the COP report at the third meeting of the Board in 2015. He noted that a number of matters were being addressed under several agenda items that might require a more overarching conversation by the Board, such as discussion on requests for proposals (RFPs), which could benefit from discussion as a separate agenda item. He suggested that the core outcome for the year should be a more detailed discussion on the practicalities of setting the objective of considering funding proposals no later than the third meeting of the Board in 2015.

103. Another Board member supported a general endorsement of the work plan, but proposed additions. First, to strengthen work on resource mobilization, including increasing the frequency of information disclosure. He suggested working on a contingency plan and reducing the threshold for effectiveness to ensure timely operationalization by October 2015. He, as well as two other members, endorsed the proposal to strengthen South-South cooperation, highlighting that peer learning could create unique incentives, and should be facilitated by the Fund. Furthermore, in speeding up the accreditation process, he also urged that efforts be made to ensure that accredited entities be regionally balanced, so that all eligible countries could receive quality and convenient services through them.

104. One Board member welcomed the suggestion of the Co-Chairs to shift the focus to operationalizing the Fund and placing developing countries at the centre of the Fund's work. He fully accepted the structure of the work plan, but stated that there would need to be choices made in placing the items in different meetings. He noted that the Board would increasingly be judged less by process and more by outcomes, and therefore, it needed to shift the focus to the latter. He stressed that this should be the focus for both readiness and accreditation to ensure a range of projects, programmes and entities, as it would not send the right message to have a limited list and thus would undermine outcomes.

105. Another Board member agreed that readiness activities were important for entities to benefit from Fund resources, and ensure that resources pledged in November 2014 could be harvested and used. On outcomes, she called for a robust project and programme pipeline to be presented for decision by the Board. She asked the Secretariat to clarify the most important elements to achieve this.

106. A Board member expressed concern that the workload under the work plan was too heavy, and reiterated the need for one or two additional days per meeting of the Board. The Co-Chairs noted that this would be covered under agenda item 29, “Date and venue of the tenth meeting of the Board”. The same Board member also noted that two items needed to be included in the agenda for every meeting: status and implementation of readiness and preparatory support, and the status of pledges. He reminded the Board members of the comments of a Board member who was not present, on the need for incremental costs and a clear definition of the roles and responsibilities of intermediaries, implementing entities, NDAs and focal points beyond the initial stage of preparatory support and readiness.

107. A Board member noted that the work plan was a good basis for discussion. He pointed to existing success stories including in LDCs, and experience in other Funds such as the thematic Bangladesh Climate Change Trust Fund, which could be shared. He invited the Secretariat to explore these in the future. He also highlighted the need to maintain the delicate balance between adaptation and mitigation.

108. One Board member stressed that updates on the IRM would be essential to maintain momentum and confidence.

109. A Board member recommended assigning priority to guidance from the COP before delving into more detailed discussions.

110. A CSO active observer drew attention to the agenda item on the participation of observers to be considered at the eleventh meeting of the Board. She noted that the CSOs had previously called for a standing agenda item on observers, and that this item was originally included in the agenda for the first meeting of the Board in 2014. She noted that as the Fund moved forward in working with NDAs and accredited entities, participation and engagement with observers was key in order to ensure that it reached its intended beneficiaries: the poor and local communities where climate finance normally did not go. She looked forward to working with the Secretariat in a participatory manner to put forward a good document on this topic for consideration by the Board.

111. She noted that the information disclosure policy was interim and a final disclosure policy was required in 2015, especially as the Fund moved into programming, noting that this was also included in the COP 20 guidance to improve transparency. She also mentioned another key item: getting the Integrity Unit and the Redress Mechanism up and running, and designing a participatory process for the development of safeguards, which are currently interim. She urged the Board and the Secretariat to avoid rushing just to have progress for what she described as “a Paris show” at the twenty-first session of the COP (COP 21), as strategic outcomes were more important.

112. A private sector organization (PSO) active observer thanked the Co-Chairs and hosts, and congratulated the Secretariat on its new home and the work completed since the eighth meeting of the Board. She noted that a key objective and characteristic of the Fund was engaging the private sector to multiply resources. She therefore highlighted the need for further accreditation of private sector intermediaries, expressed her appreciation of the accreditation of entities at the current meeting of the Board and hoped for more at the next.

113. She also noted the importance of a firm and strong statement of risk appetite, and expressed disappointment with the slow progress made in this, as it constituted a major signal for the private sector in terms of producing engagement. She said that it would be wonderful for that statement to be ready for October 2015. She was encouraged to hear the comments of one member that the major risk was climate risk and not achieving objectives. She stated that decisions on clear and detailed applications and approvals processes for projects and programmes would be essential to build pipelines.

114. The Co-Chairs suggested looking at the work plan again with the Secretariat taking into account the comments of the Board, and coming back later in the meeting. They later presented a

draft revised *Work plan for 2015* for consideration by the Board. They stressed the importance of reducing the workload for the year and, in particular, the tenth meeting of the Board, ensuring clarity on the agenda for that meeting, and asked for the Board to make suggestions.

115. The Executive Director set out the essential items for the tenth meeting of the Board, first noting that any unresolved important items from the ninth meeting of the Board would carry over:

- (a) Enhanced direct access;
- (b) The template for bilateral agreement of privileges and immunities;
- (c) The information note on administrative guidelines for human resources (the current mandate expires in October);
- (d) Decision-making in the absence of consensus; and
- (e) Investment framework.

116. She asked for clarification on whether additional mandates set out by the Board were considered urgent and would need to be addressed at its tenth meeting, such as the case-by-case brief on terms and conditions for financial instruments, and the request to consider further the principles of the terms of Board members.

117. The Executive Director then highlighted other essential items for the tenth meeting as set out in the revised work plan:

- (a) Monitoring and accountability of accredited entities;
- (b) Consideration of additional accredited entities;
- (c) The role of NDAs following Board consultations and report on readiness and preparatory support as requested by the Board during meeting;
- (d) The further development of indicators for the performance management framework;
- (e) The risk management framework;
- (f) The report on the status of IRM;
- (g) Institutional matters (standing item);
- (h) The draft report to the COP;
- (i) The appointment of the independent Technical Advisory Panel;
- (j) The appointment of the heads of independent units;
- (k) The status of resources (standing item)
- (l) The information note on administrative guidelines for procurement (expires in October 2015); and
- (m) The participation of observers.

118. She noted that certain items were not considered urgent by the Secretariat but had been requested as add-ons by the Board, and it fell to them to decide upon their urgency:

- (a) Further development of the initial approval process;
- (b) The policy on ethics and conflicts of interest for the Executive Director and other Board-appointed officials; and
- (c) The policy on ethics and conflicts of interest for active observers and external members of panels established by the Board.

119. She concluded that even with only the most important items, the agenda of the tenth meeting of the Board would be full.
120. The Co-Chairs asked the Board for suggestions on whether any items could be moved to 2016 or the eleventh meeting of the Board.
121. A Board member suggested that the eleventh meeting should focus on approving projects and not dealing with policy issues. Therefore the tenth meeting should give clear priority to key policies. He stated that these were administrative guidelines for human resources, the investment framework, if not completed at the ninth meeting, and enhanced direct access.
122. Another Board member expressed the hope that the Board could make more use of decisions taken between meetings, such as on appointments to committees and panels, and of heads of independent units. He noted additional items for the tenth meeting:
- (a) The recommendations of the Private Sector Advisory Group to the Board; and
  - (b) A paper to decide on further detail in financial terms and conditions.
123. He noted further that some items with fiduciary and financial risk implications, which he believed were required as soon as possible, had not been included in the work plan:
- (a) Administrative guidelines on internal audit standards; and
  - (b) An anti-money laundering or terrorism financing framework.
124. A Board member suggested a traffic-light system to indicate the relative importance and size of items. She suggested to conduct the following items in writing:
- (a) Readiness and preparatory support;
  - (b) Information note on the administrative guidelines on human resources;
  - (c) Appointment of experts for the independent Technical Advisory Panel; and
  - (d) Appointment of the heads of independent units.
125. She also suggested that the following items to be pushed back:
- (a) First formal replenishment;
  - (b) Additional consideration of the roles of NDAs;
  - (c) Further development of the initial proposal approval process; and
  - (d) Participation of observers.
126. She said that it was not essential to hold the discussion on NDAs at the tenth meeting of the Board.
127. She further mentioned the issue of not agreeing on agenda sub-items as these would return as separate full items at the next meeting.
128. Another Board member suggested reducing the number of reports requested, and making more use of between-meeting decisions, although he objected to this procedure being used for the Appointment Committee.
129. One Board member requested clarification on the placement of the following items: guidance from the COP, report to the COP and relationship with other UNFCCC thematic bodies.
130. The Director of Country Programming noted that during consultations with the Board members, it was suggested that some issues be included under the report on the activities of the Secretariat, including:
- (a) Engagement with UNFCCC thematic bodies;

- (b) Information on coordination and coherence between the Fund and other funds; and
- (c) Outreach activities.

131. A Board member stated that the Fund's relationship to UNFCCC thematic bodies did not just relate to the Secretariat, but also related to the Board. He therefore felt it would not be appropriate to subsume this in a report on the activities of the Secretariat.

132. A CSO active observer stated that it was important to include the information disclosure policy this year and that this could take precedence over the participation of the observers item if necessary. A Board member supported this, and although the Director of Country Programming had noted that an interim policy was still valid, and thus this item was not considered a priority, he stated the need for a final policy in this regard.

133. The Co-Chairs took note of the comments pointing out in response that the document on NDAs was very important to some Board members. They recommended that more decisions be taken between meetings as it would be hard to whittle down the work plan.

134. The Executive Director urged the Board to decide now exactly which items should be included in the agenda of the tenth meeting of the Board to ensure that redundant documents were not prepared.

135. A Board member suggested that the two items on administration guidelines and the information note be done via written procedure. For the tenth meeting, she proposed deprioritizing the following:

- (a) Further consideration of the role of NDAs;
- (b) Further development of initial proposal approval process;
- (c) Participation of observers; and
- (d) Using the written procedure to deal with:
  - (i) Appointment of technical experts for technical advisory panel; and
  - (ii) Appointment of the heads of independent units.

136. A Board member underlined the need for more decisions between board meetings. He also requested that the information disclosure policy be developed from an interim to final policy. Regarding the 2015 work plan, he asked that two additional items be added:

- (a) Administrative guidelines on the internal control framework and internal audit standards; and
- (b) Anti-money laundering and terrorism finance framework.

He stated that with the external auditor beginning work soon, the lack of these two created risks for the Fund.

137. A Board member suggested that a simplified process of approval be endorsed at the tenth meeting, especially for small-scale activities.

138. The Executive Director recommended to remove the following items from the agenda of the tenth meeting, some of which could be considered between meetings, if the Board agreed:

- (a) Recommendations for fast-tracking and additional guidelines for non-multilateral entities;
- (b) Appointment of the independent Technical Advisory Panel;
- (c) Appointments of the heads of the independent units;
- (d) Annual report and audited financial statement;
- (e) Travel policy;

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- (f) Information disclosure policy;
- (g) Policy on ethics of the Executive Director; and
- (h) Policy on ethics for active observers and external members of panels.
139. She suggested the potential inclusion of other items:
- (a) Simplified process of approval of small scale activities while delaying other sub-items in that item; and
- (b) Anti-money laundering and terrorist financing.
140. In addition, she brought to the attention of the Board the pending items from the ninth meeting:
- (a) Appointment Committee;
- (b) Enhanced direct access;
- (c) Operations manual update;
- (d) Work plan;
- (e) Between-meeting decisions;
- (f) Absence of consensus decisions; and
- (g) Privileges and immunities.
141. She noted the recommended items for between-meeting distribution:
- (a) Administrative guidelines on the budget and accounting system;
- (b) Administrative guidelines on internal control framework and internal audit standards; and
- (c) Information note on administrative guidelines on human resources.
142. Additionally, the Executive Director reminded the Board of the mandates set out at the ninth meeting of the Board for the tenth meeting including:
- (a) Brief guidelines on case-by-case terms and conditions;
- (b) Proposal on concessionality allocation;
- (c) Progress in the implementation of the legal frameworks with accredited entities;
- (d) Updates on Private Sector Facility (PSF) activities;
- (e) Two Private Sector Advisory Group papers; and
- (f) Further deliberation on the principles relating to the terms of Board membership.
143. A Board member stated that better organization of work was required and, in order to have an overview, suggested to distribute, at the end of meeting, the list of items that had emerged during the meeting and have the Secretariat come up with a clear proposal on what to address at the following meeting. This proposal was supported by the Co-Chairs.
144. As a way forward, the Co-Chairs indicated that they would take into consideration the matters raised by the members in crafting a draft agenda for the tenth meeting of the Board as soon as possible for circulation to the Board.
145. No decision was adopted under this agenda item.

## Agenda Item 9: Analysis of the expected role and impact of the Green Climate Fund

146. The Co-Chairs opened the agenda item.

147. The Director of Mitigation and Adaptation and the Director of the Private Sector Facility (PSF) introduced document GCF/B.09/06 *Analysis of the Expected Role and Impact of the Green Climate Fund*.

148. Many Board members expressed appreciation to the Secretariat for both the document and the presentations. However some Board members expressed the view that the Secretariat had misinterpreted the mandate of the Board. They noted that the Board had been requested to identify the comparative advantages and differences that the Fund could make relative to other funds.

149. The Director of Mitigation and Adaptation responded that in Annex II, Section V, of the document, there was an analysis which specified how the Fund would add value relative to other funds under each potential investment priority area identified. The Director of the PSF stated that the Intergovernmental Panel on Climate Change (IPCC) had identified energy efficiency as one of the largest financing gaps going forward. He underlined that a private sector arm successfully financing energy efficiency and adaptation projects will allow the Fund to make a difference.

150. In the discussion, several themes emerged. Many Board members expressed objections to the regional approach. They noted that geographic areas were too broad to draw conclusions leading to unhelpful generalizations. It was further emphasized that different countries had different priorities and circumstances. Therefore they suggested that regions be removed from the draft decision text contained in Annex I to document GCF/B.09/06.

151. A number of Board members, expressed concern over the use of the term “Climate-Smart Agriculture” because of the lack of a universally-agreed definition. One Board member suggested defining the term more precisely.

152. On private sector opportunities, several Board members raised a question about the reality of private sector involvement in adaptation noting that adaptation was usually addressed through the public sector.

153. The Director of the PSF provided some examples to highlight the existing interest of the private sector in adaptation and the challenges faced by small and medium-sized enterprises (SMEs) as a consequence of climate change. A number of Board members supported the aim of achieving private sector involvement in adaptation.

154. Regarding the sources of the analysis in the document presented, a member raised concerns over the use of the McKinsey data and highlighted the need to use IPCC findings. The Director of Mitigation and Adaptation explained that the IPCC had been the primary source of information throughout the analysis.

155. Another Board member requested to put aside the decision and for it not to be adopted at this meeting. He raised a question as to the use of the eight results areas in the Results Management Framework, as opposed to the 14 initial results areas agreed at the fifth meeting of the Board. Other Board members supported the view that further work was needed and suggested that the Board provide more detailed and thorough guidance to the Secretariat on the way forward.

156. Many Board members expressed support for a bottom-up and country-driven approach, and affirmed that identified priority areas should be illustrative rather than prescriptive in terms of how they translate into a portfolio of projects and programmes.

157. With regard to the two options presented in the draft decision text, many Board members expressed a preference to move forward with the rebalancing and optimization of the portfolio through RFPs, instead of immediately launching the RFP process following the ninth meeting of the Board. A Board member highlighted the advantages of seeing the Fund's portfolio develop before taking action, and noted the large amount of work involved in developing detailed parameters for the RFPs. His proposal was supported by another three Board members.

158. A Board member suggested tracking the distribution of proposals for the next two years, and identifying how the proposals sort themselves into categories. He said that based on the data obtained, priority areas could be reviewed. He also suggested that the Fund would first need to develop a pipeline and monitor the portfolio, after which an RFP could be issued to rebalance the existing portfolio.

159. Two Board members noted the impact analysis' close relationship with the investment framework suggesting that the two could be used together to inform and guide countries and implementing entities on the development of proposals.

160. A CSO active observer suggested that the impact analysis should be framed from a sustainable development perspective, taking a gender-sensitive approach. A PSO active observer stated that the document provided a useful discussion on the balance between mitigation and adaptation. He noted that the private sector can play an important role in adaptation and not solely in climate-proofing its own assets and investments. The Co-Chairs asked the Board to give them a mandate to come back with a revised draft decision text prepared by the Co-Chairs and the Secretariat after bilateral consultations with the Board members.

161. The item was suspended.

162. The item was reopened by the Co-Chairs and a revised draft decision text was circulated to the Board.

163. On paragraph (a) of the draft decision which took note of the findings and suggested that countries could take them as illustrative, a member proposed deleting the reference to the illustrative investment opportunities as it might create confusion with the investment framework.

164. On paragraph (b) which stated that projects and programmes would be aligned with the investment framework and initial results management framework, the same member proposed removing the paragraph, noting that it merely reaffirmed existing decisions of the Board.

165. Paragraph (c) concerning the monitoring and periodic realignment of the portfolio with the initial results management framework, received particular attention from the Board. Several members raised a point that the term "strategy" sounded heavy-handed for aligning portfolio composition, as it implied a deep and strategic analysis when all that was necessary was to optimize alignment. It was also suggested that US\$ 3 billion was too high as a threshold for portfolio revision, with several Board members proposing that it be lowered to US\$ 2 billion. A member further suggested that the Secretariat would report "any needed actions" to the Board, a proposal which was supported by another Board member.

166. The Co-Chairs noted that the ambitious and inspiring thrust previously captured in the document was being lost. In response, a member said that he could accept paragraph (c) with an additional sentence defining calls for proposals. He also proposed removing the resource threshold. The Co-Chairs suggested an amended decision text with a deletion of the resource threshold for portfolio realignment, and a removal of the reference to the illustrative investment opportunities and countries.

167. A Board member responded that this would be contrary to the mandate given to the Secretariat in decision B.08/07, and underlined that the Board needed guidance on when the

monitoring of portfolio would take place. Another member expressed the view that, at this point in the Fund's development, the bottom-up approach embedded in an earlier Board member proposal was best for the institution.

168. The Co-Chairs suggested a decision with paragraph (b) deleted, and with paragraph (a) stressing *illustrative* investment opportunities. A member agreed to keep the "*illustrative investment opportunities*", and to remove the reference to the "countries [...] proposals". Another member stated that this would not be acceptable. On paragraph (c), a member insisted on keeping the final sentence, including the resource threshold.

169. The Co-Chairs further recommended retaining the reference to the illustrative investment opportunities, as well as the paragraph (c) with the language proposed by a member, which was slightly amended by another member as "needed actions", instead of "any needed actions". It was then agreed to retain US\$ 2 billion as a trigger for rebalancing, without further objections.

170. The amended draft decision was approved and the following decision was adopted:

#### *DECISION B.09/02*

The Board, having considered document GCF/B.09/06 *Analysis of the Expected Role and Impact of the Green Climate Fund*,

- (a) *Takes note of the findings of the analysis undertaken by the Secretariat, including illustrative investment opportunities in the Fund's results areas; and*
- (b) *Requests the Secretariat to monitor the portfolio, report to the Board, and recommend needed actions, in order to align the portfolio composition with the initial results management framework as contained in decision B.07/04 when the portfolio reaches US\$ 2 billion, but no later than two years after the first funding decision.*

### **Agenda item 10: Policy on ethics and conflicts of interest for the Board**

171. The Co-Chairs opened the agenda item.

172. The General Counsel drew the Board's attention to document GCF/B.09/16 *Policy on Ethics and Conflicts of Interest for the Board*.

173. A Board member stated that his constituency was seriously concerned regarding the draft decision contained in Annex I to document GCF/B.09/16 and urged the Secretariat to circulate an email on this matter to the Board on behalf of a Board member who was not present. The Co-Chairs agreed to distribute it.

174. A Board member complimented the EAC members on their hard work and stated the need for stringent international standards. He noted that adopting this policy would reflect how serious the Board was regarding the subject and the fact that the Fund was enabled to deal quickly with such issues. He asked the Co-Chairs if he could respond to the points made by his fellow member but the latter suggested that the discussion be suspended until the note had been circulated.

175. Following suspension, the Co-Chairs re-opened the agenda item and reiterated the importance of adopting the draft decision in order to meet the global standard on ethics and transparency, as well as to make a difference in the climate finance world.

176. Several Board members encouraged the adoption of the policy in order to strengthen the Fund's reputation. A Board member highlighted that the draft decision should be adopted to enable progress on the accreditation decision.
177. Several questions were raised. Some Board members requested clarification on the domestic legal requirements referred to in the policy as to whether domestic policies supersede the policy of the Fund.
178. A Board member requested clarification on situations where a Board member needed to recuse him/herself from certain discussions such as accreditation.
179. Another Board member referred to paragraph 6 of the document and requested that a mandate to develop a policy similar to the proposed text for the Executive Director, Board-appointed officials and staff be included since the Secretariat played an important role in assessing and providing recommendations on accreditation and project approval.
180. A member of the EAC agreed that the mandate to develop a separate policy for the Executive Director and other Board-appointed officials which was envisioned by the EAC be included. On the question of whether a Board member could or could not discuss a project conducted in her/his country, the consensus was that the Board member in question could participate in those discussions. In response, two Board members stated that remedies for conflicts in the policy were very similar to those of the most rigorous institutions.
181. This matter was clarified by the Executive Director who referenced the decision that was adopted at the sixth meeting of the Board (decision B.06/03, Annex I, Appendix I) containing a code of conduct – including conflicts of interest - for the staff of the Secretariat.
182. Other Board members raised the issue of whether or not the advisors to Board members and alternate members needed to be included in the scope.
183. The General Counsel explained that the reason why the advisors needed to be included in the scope is that they were not covered by the Human Resources guidelines or any other guidelines. The conclusion of the EAC was that advisers should be covered by this policy so that they had a direct link with the Fund. Clarification was made that advisers, referred to in paragraph 28 of the Rules of Procedure of the Board, could - in the default scenario - participate in executive sessions.
184. With reference to two remaining categories namely, Board-appointed officials, including the Executive Director and Heads of Units, and Consultants, he confirmed that the first category were covered by a similar policy to that being considered by the Board. In respect of experts on panels, he stated that they were required to enter into consultancy contracts with the Fund with strict transparency and conflict of interest rules. The Board might wish to expand these but a strict policy was already in place.
185. Regarding domestic policies, the General Counsel replied that in the discussions of the EAC, it was acknowledged that most, if not all Board members, are linked to a government or a constituency. In such capacity, they have fiduciary obligations to their constituencies:
- (a) First, they can be compelled under national law to disclose information. In this context, an EAC member referred to information disclosure acts in some countries; and
  - (b) Second, as a more practical implication, Board members may feel the need to share Fund-related information with their governments even without a legal obligation to do so.
186. The EAC came to the conclusion that this has to be dealt with just as it is being dealt with in other international organizations. That is what the text in paragraphs 1 and 26 of Annex II of document GCF/B.09/14 provides for, that is, whatever is agreed in this policy will be subject to domestic rules.

187. The General Counsel explained that as a result of these domestic requirements and similar to the practice in other international organizations, there is an impact on the confidential information the Fund will be able to share with its Board. Some confidential information may not leave the Fund as a separate legal entity due to the Fund's confidentiality commitments to third parties. As a Fund, it is necessary to be careful about what confidential information can be shared with the Board and what not, always bearing in mind that domestic rules may result in information being shared outside the Fund.

188. The EAC felt that the advisers should be covered and the debate was whether Board members and alternate members should be held responsible for their advisers, or whether they should be covered directly by the Fund. The EAC felt that the advisers should be directly covered by the Fund. A Board member requested that the policy for advisers be more flexible. Another Board member underlined that the advisers were those who participated in the meetings of the Board, and therefore were very identifiable and formed an important group of Board members who had access to information just as members and alternate members of the Board did.

189. The Executive Director reminded the Board members that staff and experts who had a contract with the Fund were covered by a very strict confidentiality agreement, which was not the case for members and alternate members of the Board, and advisers. She also noted that Accreditation Panel members had a contract with the Fund but that Private Sector Advisory Group (PSAG) members did not. Given that the terms of reference of the EAC clearly stated that it was the EAC that developed the Board's ethics policy, she suggested that they may wish to consider addressing the question of PSAG members and other Board-endorsed experts who provide recommendations to the Board.

190. A Board member requested a change to the language regarding the domestic legal requirements.

191. The General Counsel proposed a revised text, including the requests and comments of Board members.

192. The Board accepted the draft decision as proposed and the following decision was adopted:

*DECISION B.09/03*

*The Board, having reviewed document GCF/B.09/16 Policy on Ethics and Conflicts of Interest for the Board:*

- (a) Adopts the policy on ethics and conflicts of interest for the Board of the Green Climate Fund set out in Annex I to this document, including the delegation of authority to the Ethics and Audit Committee contained therein; and*
- (b) Requests the Secretariat to draft a policy on ethics and conflicts of interest for the Executive Director, other Board appointed officials, active observers and external members of panels established by the Board for consideration by the Ethics and Audit Committee to be recommended by such committee to the Board for decision-making by the Board at its tenth meeting.*

## **Agenda item 11: Financial terms and conditions of the Fund's instruments**

193. The Co-Chairs opened the agenda item.

194. The Chief Financial Officer and Director of Support Services introduced document GCF/B.09/08 *Financial Terms and Conditions of the Fund's Instruments*.

195. The Chair of the Risk Management Committee recommended that there be an explicit list of vulnerable countries and a *rendezvous* clause included in the draft decision contained in Annex I to document GCF/B.09/08 in order to enable revisiting the terms and conditions.
196. A Board member raised questions on grants with a repayment clause, and the definition and purpose of smart grants. He expressed a wish to know the right credit pricing calculation for the private sector.
197. Another Board member felt that the concept of vulnerability used in the country classification was not appropriate. He supported the draft decision in general but needed further clarification on paragraph (e) (iii), concessionality premium. He noted that it would be useful to include in the decision a market rate that would take account of inflation as the Fund moved forward since the market situation could change.
198. A Board member noted that this topic has been discussed several times and expressed regret that it was still not satisfactory. He said that the terms and conditions for loans were worse than for other funds. He also said that a grant was a grant and should not be repayable.
199. Another Board member expressed support for the document. However, he said that there was a structural concern in that vulnerable countries should not be limited to LDCs and SIDS, and should be determined by their vulnerability, such as in the case of Ecuador. He felt that the draft decision would need revision and the lack of clarity on which cases were applicable to which instruments should be addressed.
200. One Board member was not supportive of Annex IV of the document presented which refers to country classification, and emphasized the need to follow the UNFCCC.
201. Another Board member supported the proposal from the RMC to have an explicit list of countries, and questioned how to address the case-by-case basis terms, as well as the need for clarity on the indebtedness of countries.
202. A Board member observed that the reference to vulnerable countries was a new concept and requested the use of the language from the Governing Instrument for the Fund, paragraph 52. He suggested that if the real intention was to discuss and define a new concept, then the Fund should never directly borrow concepts from the Organisation for Economic Co-operation and Development, the World Bank or the International Development Association (IDA), as their definitions had existed for many years and did not reflect the latest situation regarding climate change.
203. Another Board member urged the Board to adopt the draft decision instead of debating country classification.
204. A Board member supported the RMC's recommendation to remove the concept of vulnerable countries and replace it with high and low concessionality countries.
205. Another Board member commented that the document failed to provide a longer term picture of the evolution for the Fund. The case-by-case basis provided was unclear and difficult to follow. He suggested that the paragraph 14 should include a specific reference to International Monetary Fund and World Bank guidelines for public debt management, when describing the level of indebtedness. If a private sector entity was operating in an LDC, it would be difficult for it to gain access to the Fund if it only qualified for low concessionality. There was a need for differentiation in such cases. In Annex IV, although country classification was difficult to establish, there was a need for clear differentiation between countries with an inbuilt dynamic approach based on facts and figures, such as gross domestic product, which could be adjusted. He also requested that the document title be changed since the focus was on grants and concessional loans rather than financial terms and conditions.

206. The Co-Chairs asked the Board to consider how to differentiate the countries and stressed that if no decision were adopted, it would be difficult to operationalize the Fund by October 2015.

207. A Board member echoed the Co-Chairs' sentiments on the importance of the document. It was essentially about fairness in order to ensure that resources reached the most vulnerable and those most in need of finance. The question was then how to do this and there were several options. He pointed out that whilst the IDA scale provided dynamism, the IDA list was not effective in capturing the vulnerability of SIDS. He raised several specific points:

(a) The need for the Secretariat to show how the Fund could prevent the crowding out of commercial finance, recognizing the need to provide just enough concessionality; and

(b) The need for a clearer private sector formula which should be on a case-by-case basis.

208. He asked why sovereign risk was excluded since it was a significant risk; the impact premium was not compatible with wanting to maximize impact but minimize cost, and a more flexible approach was needed as it would depend on the transaction and sector; and the equity/guarantee instruments needed more detail.

209. A Board member who is also a member of the RMC said that the Board should move forward with the draft decision with the country classification comprising LDCs, SIDS and African States.

210. A Board member mentioned that the differentiation should be in place and the financing should be allocated for those most in need. She suggested using IDA, SIDS and IDA blend countries which was supported by another Board member.

211. Another Board member supported the country classification presented in Annex IV and suggested to keep the reference to vulnerability contained therein.

212. One Board member commented that on differentiation, paragraph 54 of the Governing Instrument states that:

*"Financing will be tailored to cover the identifiable additional costs of the investment necessary to make the project viable".*

213. Country categorization could be a way out of the difficulty. She supported the inclusion of LDCs and SIDS, as they had to be a part of high concessionality eligibility, including some low-income countries (LICs).

214. Another member of the RMC urged the Board to adopt a decision. He observed that it was complicated to discuss vulnerability and that classifying countries by low and high concessionality made more sense. He accepted the need to support LDCs, SIDS and IDA countries. He supported the inclusion of a rendezvous clause to enable the terms to be revisited within two years. He asked for further clarification on the actual interest rate to be used in the future. He agreed with the idea that the financial package should also indicate the concessionality for the Board's review. There was also a need for clarity on the definitions of high and low concessionality. Concessionality for the private sector was being done on a case-by-case basis.

215. A Board member suggested that the Board needed the decision to include a distinction between access to the Fund and the need to take into account the economic and financial situation of particular countries. This should be an important criterion. He supported the current approach with limited differentiation for the time being and requested a review before the next replenishment. He urged the Board to adopt a decision.

216. Another Board member supported the request from other members in referencing the Governing Instrument and the categorization of countries in Annex IV. Article 4, paragraph 9, of

the UNFCCC, could be referred to for LDCs. The Fund could also consider including a developing country vulnerability index.

217. The Co-Chairs proposed a small group to discuss the item. Three Board members from developed countries: Mr. Jacob Waslander, Mr. Shuichi Hosoda and Mr. Arnaud Buisse, and three from developing countries: Mr. Tosi Mpanu, Mr. Angel Valverde and Mr. Yingming Yang were nominated.

218. The Co-Chairs reopened the item after two meetings of the small group and a revised draft decision was distributed. Mr. Frederic Glanois, on behalf of Mr. Buisse, as chair of the group, introduced the changes made in Annex I to the draft decision and explained the differences and the justification behind the changes. Many Board members were not supportive of the PSF formula. They felt that the terms and conditions should be reviewed frequently. It was argued that either the Board does not adopt any decision or it adopts a decision at the tenth meeting of the Board. An alternative was to adopt the draft decision and leave discussion on country classification for the next meeting of the Board.

219. The Executive Director urged the Board to adopt the current draft decision. She pointed out that if no decision were adopted, NDAs, focal points and accredited entities would not be ready to present targets for October 2015 and the Secretariat would not be able to start its due diligence by June 2015.

220. A number of detailed points were raised. A Board member requested clarification on paragraph (f) of the draft decision and proposed that “Adopts” be replaced with “Agrees that”. He also asked for clarity on grants with a repayment contingency. Another Board member suggested replacing “Agrees that” with “Decides that”.

221. The Executive Director mentioned that given the scarcity of grant resources, a variety of institutions looked at the possibility of seeking the reimbursement of grants when they had fulfilled their purpose. The African Development Fund had a project development facility that reclaims a grant once a project is successfully financed and allocate the resources to other projects in need of development funding.

222. A Board member questioned the commitment fee and asked how it was measured. He also asked whether the Fund was going to make any provision for a commitment fee waiver.

223. The Executive Director responded that after signing the project agreement, the commitment fee would be applied on the outstanding undisbursed balance each year. She also confirmed that if the Board would like to make such a revision on waiver rules for the commitment fee, the Secretariat would work on a proposal. A Board member asked why there was a difference in the fees between the two loans. The Executive Director explained that some Board members had concerns about concessionality and suggested a lower fee. Another Board member advocated the commitment fee with a condition of “up to” instead of a defined number. A Board member suggested local currency financing in the future.

224. Another Board member expressed concerns about paragraph (e) of Annex I, and suggested that another option was not to adopt the draft decision but to finalize at the next meeting. He stated that there were a number of issues which were unresolved such as the repayment contingency, and non-grant instruments to be extended to the private sector on a case-by-case basis.

225. The Executive Director stated that it was her understanding that the small group had fully agreed on all the points raised, and that these points provided great clarity on 90 per cent of what was needed. She noted that on the question of the two types of grant: non-repayable by the public sector and potentially repayable by the private sector, the latter would be decided on a case-by-case basis. This would maximize potential reflows for the Fund. She underlined that failure to take a decision on financial terms and conditions at the meeting would have important consequences. Without this comprehensive decision, it would not be possible to provide the

necessary guidance and information to national designated authorities and focal points, national implementing entities, regional implemented entities and other intermediaries, including those already accredited and those applying and who wished to move forward with possible projects.

226. A Board member affirmed that the first batch of accredited entities needed clarity in order to begin applying for funding. He requested a guideline of case-by-case provisions but supported the draft decision in order to allow disbursements to be made by October. This was supported by another Board member. A Board member of the small group confirmed that this was the consensus within the group. Another Board member suggested moving paragraph (e) of the draft decision to the last paragraph in order to ensure consistency in the document.

227. The Executive Director provided the following additional clause in order to accommodate the suggestion:

*“Requests the Secretariat to prepare and submit, for the Board’s consideration at its tenth meeting, a brief guideline on the application of the case-by-case provisions in the financial terms and conditions of the Fund’s instruments”.*

228. This was agreed and the following decision was adopted:

#### *DECISION B.09/04*

*The Board, having reviewed document GCF/B.09/08 Financial Terms and Conditions of the Fund’s Instruments:*

- (a) Notes that the Fund will provide grants both with and without repayment contingency;*
- (b) Adopts the financial terms and conditions of grants and concessional loans as contained in Annex II to this document;*
- (c) Decides that use of grants with repayment contingency shall be limited to the private sector and that their terms and conditions shall be determined on a case-by-case basis;*
- (d) Also decides that the Fund will use differentiated terms for outgoing concessional loans to the public sector following the principles and factors set out in Annex III to decision B.05/07;*
- (e) Further decides that the financial terms and conditions for non-grant instruments to the public sector, other than concessional loans, will be established on a case-by-case basis;*
- (f) Decides that all non-grant instruments extended to the private sector shall be determined on a case-by-case basis, taking into consideration Annex III to decision B.05/07 and section III in Annex XIV to decision B.07/06;*
- (g) Notes the need for the Fund, when making funding decisions, to consider the terms and conditions of the proposed financial instruments by the Accredited Entity to the recipient, as well as the financial terms and conditions of the financial instruments being requested from the Fund;*
- (h) Decides to review the financial terms and conditions of the Fund’s instruments on an annual basis;*
- (i) Requests the Secretariat to prepare and submit, for the Board’s consideration at its tenth meeting, a brief guideline on the application of the case-by-case provisions in the financial terms and conditions of the Fund’s instruments; and*
- (j) Decides to consider at the tenth meeting of the Board a proposal regarding the cases in which the high level concessional terms and the low level concessional terms in Annex II, table 2, for public sector proposal will apply.*

## Agenda item 12: Further development of the initial investment framework: Sub-criteria and methodology

229. The Co-Chairs opened the agenda item.
230. The Director of Mitigation and Adaptation introduced document GCF/B.09/07 *Further Development of the Initial Investment Framework: Sub-Criteria and Methodology*. He outlined the purposes of the document, namely:
- (a) To signal the type of projects and programmes the Fund was seeking to finance to stakeholders; and
  - (b) To clarify assessment criteria and methodology to the Board in order to facilitate informed funding decisions.
231. He set out two options for consideration by the Board on the assessment methodology for funding proposals.
- (a) Option A set out five steps:
    - (i) An assessment against indicative minimum benchmarks;
    - (ii) A review of proposals based on criteria and sub-criteria;
    - (iii) Assigning of a scale of low, medium or high for each investment criterion;
    - (iv) Compilation and submission; and
    - (v) A Board decision.He stated that this allowed for high-quality at entry and high comparability.
  - (b) Option B would not feature the minimum benchmarks or scale, placing greater emphasis on qualitative judgement and lending more flexibility.  
He stressed that this was an essential decision as it was critical for the path to taking funding decisions in October 2015.
232. Mr. Dipak Dasgupta spoke on behalf of the IC and asked the Board to clarify whether the sub-criteria were clear to them as this would be an essential first step before choosing either option.
233. The Co-Chairs invited the Board to express their views.
234. Most Board members agreed that the investment framework was essential for the vision and added value of the Fund, and thanked the Secretariat for significant progress made on the item since the eighth meeting of the Board with the caveat that much remained to be done.
235. Several Board members expressed a preference for assessment methodology option A, citing transparency, ambition as a Fund and guidance to implementing entities, as fundamental goals of the investment framework. A PSO active observer also expressed a preference for option A, noting that it had more clarity for the private sector which was used to working with hurdle rates, and that private sector entities would be more comfortable with the process laid out in that option.
236. Furthermore, two Board members argued that option B was not in line with previous decisions to have an informed, transparent and competitive process.
237. Other Board members expressed support for option B:
- (a) One Board member noted flexibility for LDCs, while being ready to accept option A with differentiated benchmarks for SIDS, LDCs and African countries; and

- (b) Other Board members argued that benchmarks were inherently subjective in any case, and noted the risk of bad benchmarks and more conditionality reducing ambition and innovation. There was also some concern that their use placed additional burdens on countries and project developers in terms of time and resources, noting that other similar funds used primarily qualitative assessment without benchmarks.
238. Several Board members expressed their openness to find a middle ground or “option C”. Another Board member stated that the framework should be sophisticated yet practical, and that achieving a balance was essential.
239. Three Board members noted that the Fund was a learning process, so they saw the investment framework as something which could be refined further based on experience from its operations.
240. Several Board members suggested that criteria scoring (low, medium and high) should be refined to allow comparison of comparable projects, in particular to address the specificities of vulnerable countries. It was suggested that further guidance on the definitions of low, medium and high was required. A five-point scale was proposed by one member to allow more nuance and avoid the tendency to choose the middle ground in a three-point scale.
241. Two Board members stated that projects should be assessed against their peers in terms of countries, sectors and other projects, and that smaller countries should not be placed at a disadvantage.
242. Regarding the process of project assessment, one member expressed doubt regarding the capacity of the small Secretariat team or the independent Technical Advisory Panel to assess a large variety of proposals around the world, and suggested that analysis by the independent Technical Advisory Panel should focus on strategic assessment.
243. Two Board members suggested that benchmarks should be strong and mandatory, but that they required more clarity and specificity, for example taking into account sector or country characteristics. This sentiment was echoed by other members, as well as a CSO active observer, who agreed as to their usefulness but stressed that they needed to be flexible, not disadvantageous to particular countries, differentiated by country characteristics, and indicative. A PSO active observer suggested introducing extra weighting for LDCs on benchmarks. A Board member noted that the language in the draft decision already gave support to such flexibility.
244. One Board member proposed that benchmarks be revised and resubmitted by the tenth meeting of the Board. She noted that simply leaving out the bottom 5 to 10 per cent of projects in the portfolios of similar funds did not reflect the paradigm shift objective since the Fund should outperform those other funds. Another Board member proposed setting out a set of minimum benchmarks and another set of aspirational benchmarks.
245. Several Board members sought improvements to the sub-criteria and assessment factors. One Board member stated that the framework contained in Annex II to document GCF/B.09/07 would be a decisive template for those applying for funds, and therefore had to be clearer, less redundant and more ambitious on some criteria.
246. Another Board member expressed support for streamlining Annex II, believing it currently contained too many sub-criteria and assessment factors. On this point, the Executive Director responded by pointing out that implementing entities were expected to report only on the sub-criteria and assessment factors relevant to the specific project in question.
247. A CSO active observer proposed that benchmarks be based on scientific and objective grounds, and developed together with civil society through a call for public inputs, but opposed their use as gatekeepers. He also supported an exclusion list on fossil fuel technologies.

248. The Executive Director highlighted that the investment framework would be initial and subject to review, and that this would be applied to criteria, sub-criteria and assessment factors. She stated that the Fund was unique in that any Party to the Convention could approach the independent Redress Mechanism to investigate proposals rejected by the Board, highlighting the need for a clear and transparent process while keeping the process simple so as not to dissuade potential participants.

249. The Co-Chairs suggested that the investment framework be further discussed in a small open-ended breakout group. This group was chaired by Ms. Ingrid-Gabriela Hoven and Mr. Nojibur Rahman and comprised the members of the IC, with Ms. Mariana Micozzi, as well as Mr. Zaheer Fakir and Mr. Stefan Schwager.

250. Ms. Ingrid-Gabriela Hoven, as one of the chairs of the breakout group, presented the amended investment framework proposal to the Board which she hoped represented a consensus on criteria, sub-criteria and assessment factors, and would provide guidance to countries and accredited entities potentially proposing projects.

251. She outlined the amended investment framework as more flexible, giving more weight to country and sector circumstances, as well as proposing that an amended framework for the use of indicative minimum benchmarks be presented at a future meeting of the Board. She noted that the proposal would conserve the use of a low, medium or high measurement scale, and that mainly qualitative criteria would be used although the Secretariat could also apply quantitative criteria.

252. The subsequent discussion focused on country differentiation for benchmarks. A Board member who strongly supported benchmarks that take into special consideration SIDS, LDCs and African States, fundamentally disagreed with the lack of benchmark differentiation in that regard, citing the negative precedent of the clean development mechanism in his constituency, and proposed that differentiation according to SIDS, LDCs and African States be reflected in the language. This concern was echoed by another Board member.

253. Another Board member objected to this proposal citing the wording of the Governing Instrument, which refers to SIDS, LDCs and African States as part of the “countries vulnerable to the adverse effects of climate change”, this phrase being the fundamental defining concept.

254. One Board member disassociated himself from the document as he felt it mainly contained the concepts of option A which the majority of Board members from the developing country constituency had opposed as it would set worse conditions for, and be disadvantageous to, developing countries. He went on to state that he would not block its adoption, but would like his opposition to be recorded.

255. Owing to lack of agreement, the Co-Chairs postponed the discussion until a newly revised version of the draft decision was presented to the Board for consideration. One Board member proposed postponing the decision altogether to the next meeting of the Board. Another member stated that the Board needed to adopt the decision in order to send a strong message to the outside world that the Fund would be making funding decisions in October. He encouraged those present to discuss any issues and find a solution before the end of the meeting.

256. Following additional amendments, a revised draft decision was presented to the Board.

257. One Board member wished it to be recorded that he had been required to stay until 4:00 a.m. to decide on this matter at the request of the Co-Chairs in order to conclude the item. The Board member initially disagreed with the inclusion of “all” medium and large projects in the scaling pilot in the event that the Board was unable to agree on an appropriate subset of proposals at the tenth meeting, but did not object.

258. The Co-Chairs asked if the document could be accepted as it is and having received no objection, the decision was duly adopted.

DECISION B.09/05

*Taking into account the need to provide information required by national designated authorities (NDAs) and focal points, institutions and organizations that may be considering projects and programmes for possible funding from the Fund, and to provide predictability to the process of how the proposals might be reviewed;*

*The Board, having reviewed document GCF/B.09/07 Further Development of the Initial Investment Framework: Sub-Criteria and Methodology:*

- (a) Notes the Board's agreement to keep under review the initial investment framework and to take action as necessary, in particular with respect to the criterion on needs of the recipient countries in the investment guidelines in decision B.07/06, paragraph (e);*
- (b) Adopts the initial activity-specific sub-criteria and indicative assessment factors contained in Annex III, which take into account the Fund's initial investment framework, the Fund's initial result areas and initial results management framework, and other relevant decisions, with the understanding that national and sector-wide sub-criteria can be used only at the discretion of the recipient countries;*
- (c) Decides to use indicative minimum benchmarks, in accordance with investment policies as decided by the Board, to ensure that projects and programmes demonstrate the maximum potential for a paradigm shift towards low-carbon and climate-resilient sustainable development;*
- (d) Requests the Secretariat to present for consideration by the Board at its thirteenth meeting indicative minimum benchmarks in order to:
  - (i) Encourage ambition; and*
  - (ii) Take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, in particular the least developed countries (LDCs), small island developing States (SIDS), and African States, according to project size, mitigation/adaptation, and local and sector circumstances;**
- (e) Also requests the Secretariat and the independent Technical Advisory Panel in the application of the indicative minimum benchmarks to be flexible and take into account country circumstances and country ownership;*
- (f) Decides to use a scale of low/medium/high in order to assess the relative expected performance of a subset of projects and programmes based on the initial investment criteria. The Investment Committee will recommend to the Board to which subset of proposals this will apply. In the event that the Board is unable to agree an appropriate subset of proposals by its tenth meeting, the scaling pilot will automatically apply to all medium and large projects;*
- (g) Requests the Secretariat and independent Technical Advisory Panel in the application of the assessment scale to take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, in particular LDCs, SIDS and African States; and*
- (h) Also requests the Secretariat in the development of the operations manual and appraisal toolkit, to include guidance to accredited entities and NDAs on the application of the proposal approval process, including indicative minimum benchmarks and assessment scale. The inputs of NDAs will be taken into consideration in the development of the guidance.*

## **Agenda item 13: Initial risk management framework: Survey of methodologies to define and determine risk appetite**

259. The Co-Chairs opened the agenda item.
260. The Chief Financial Officer and Director of Support Services introduced document GCF/B.09/13 *Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite*.
261. The Chair of the RMC stated that the document had been endorsed by the Risk Management Committee, and that the Committee thought that the Board should adopt the draft decision contained in Annex I to the document.
262. There was general support of the document by Board members, although a few concerns were raised.
263. Two Board members requested that, going forward, the list be expanded to include other benchmark institutions, including national institutions, both public and private, from emerging markets.
264. Another two Board members requested that the analysis be expanded to incorporate other types of risk, including fiscal, integrity and compliance, and environmental and social risk. This would give an idea of how other institutions mitigated those risks and what kinds of tools were at the Fund's disposal to mitigate them. Bearing in mind that the risks posed to the Fund were not all of the same importance, another member proposed that the Secretariat could consider a risk ranking system.
265. It was further requested that, going forward, the analysis be expanded to include risks relating to the use of guarantees and equity, as well as non-financial risks, and how other entities mitigate such risks
266. Two Board members requested that the Secretariat consider how the Fund could share its risk with its accredited entities. It was suggested that the analysis could explore the difference between project risk in an area versus the Fund's risk tolerance for losses in that area, and highlighted that the analysis would have to consider programme execution unit risks on a risk by risk basis rather than just the general risk appetite of the unit
267. A CSO active observer asked how risk appetite turned into an investment decision, stating that the explanation was lacking. She also suggested that a higher appetite be given to adaptation compared to mitigation.
268. A PSO active observer noted that the table of risks faced by the Fund should also refer to the risk that Fund's policies and operations were ineffective in attracting private co-investment which had been identified as an important indicator.
269. The Chief Financial Officer and Director of Support Services took note of the comments and stated that guidance would be sought from the RMC when developing the methodologies to define and determine the risk appetite of the Fund.
270. The decision was duly adopted.

### *DECISION B.09/06*

*The Board, having reviewed document GCF/B.09/13 Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite:*

- (a) Takes note of this document; and

- (b) *Requests the Secretariat, in consultation with the Risk Management Committee, to continue the work on determining the initial risk appetite of the Green Climate Fund, consistent with decision B.07/05.*

## **Agenda item 14: Consideration of accreditation proposals**

271. The Co-Chairs opened the agenda item and invited the Board members and alternate members, including their advisors, as well as active observers to disclose any conflict of interest and to recuse from the discussion in accordance with paragraph 46 of the Rules of Procedure of the Board. Ms. Ingrid-Gabriela Hoven recused herself from the discussion from applicant APL006 and Co-Chair Mr. Gabriel Quijandria recused himself from applicant APL002.

272. The Co-Chairs also indicated that the session would be conducted as an open session, and requested the Board not to disclose the information of a confidential nature contained in document GCF/B.09/04/Add.1 during the discussion of this agenda item. This document had been distributed to the Board only on a limited distribution basis. He added that if the Board wished to discuss such information, the session would be conducted as an executive session.

273. A representative of the Secretariat drew the attention of the Board to document GCF/B.09/04 *Consideration of Accreditation Proposals*. She recalled guidance from the COP to the Fund to take decisions on funding proposals no later than the third meeting of the Board in 2015, and put emphasis on the need to accredit public, private, national, regional and international entities in order to achieve this.

274. She added that, in addition to developing the application materials, including checklists for reviewing applications, the Fund had launched the online accreditation system (OAS) on 17 November 2014 to receive and review accreditation applications. Out of 43 applications, seven entities had passed the stage I completeness check and stage II accreditation review, and been found to meet the Fund's fiduciary standards, environmental and social safeguards, as well as the draft gender policy. These seven entities, which included two national, one regional, one private sector and three international entities, were being presented to the Board for its consideration and decision-making on granting accreditation.

275. On behalf of the AC, Ambassador Jan Cedergren thanked the AP, the Secretariat and the applicant entities for their efforts. He pointed out that the proposals were balanced in terms of sector and geography, and that with the approval of accreditation, the entities could bring funding proposals that would drive the investment decisions of the Fund at its eleventh meeting of the Board.

276. The Chair of the AP, Mr. Peter Carter, recalling the report of the AP contained in document GCF/B.09/Inf.04, made remarks on the steps taken by the AP to reach the recommendation, the aspects considered to evaluate the candidates, including both the fiduciary standards and environmental and social safeguards, and lessons learned in the process. In particular, he noted that:

- (a) Fast-track applications were faster to review than those under the normal track;
- (b) Checklists used in the review of applications allowed for the fit-for-purpose approach to be applied and – as the AP gained experience – the checklists might be improved; and
- (c) Use of external technical experts had been useful in allowing for the AP to review a number of applications in a relatively short period for the Board's consideration.

277. In addition, he shared the challenges the AP had experienced. He noted that in cases where information was deemed confidential by the applicants, there might be the need to conduct site visits, and that this might impact the time taken for the accreditation process. He also gave an assurance that the recommended entities were well-aligned with the Fund's objectives and would bring new approaches and business models to address the challenges of

climate change. Lastly, he indicated that the AP could play a role in the transformational change of direct access entities owing to the variety and depth of technical knowledge that the AP had collectively and could share with those entities.

278. The Co-Chairs first opened the floor for general discussion and proposed considering each applicant in turn.

279. Board members expressed their appreciation of the work and effort of the Secretariat, the AP and the applicant entities.

280. One Board member raised concerns that the proposed portfolio of entities was not sufficiently diverse enough in regard to geography, size and type of projects and institutions, pointing out that six out of seven entities had applied under the fast-track accreditation approach. This point was echoed by two other Board members who suggested that the Board might wish to see more diversity in the next batch of applications at the tenth meeting. Other Board members expressed satisfaction about a number of elements in the proposals, noting that there was a good mixture in terms of regions and vulnerable countries, including LDCs and SIDS. A Board member added that applications from public entities in LDCs should be prioritized.

281. In line with the concern on the balance between international and direct access modalities, a Board member asked whether regional or national institutions in developing countries with cross-border experience were also eligible to apply under the international access modality given that applicant APL006, which had applied under the international access modality, was not an international entity but rather a bilateral financial institution in a developed country. Another Board member echoed the same concern. The Executive Director stated that as per the Governing Instrument and the accreditation framework, entities that applied under the international access modality did not require nomination letters from NDAs or focal points for their accreditation application. A Board member stated that the decision should reflect that all entities were encouraged to contact the NDAs or focal points of the countries in which they intend to operate.

282. Two Board members emphasized that the accreditation process itself could promote transformation impact at the national level and such efforts should be followed by support for capacity-building of national entities. Several Board members asked whether the applicants could bring the paradigm shift the Fund was seeking to bring to developing countries. In this regard a Board member noted that the role of the AP was technical and that politics and policies were the responsibility of the Board.

283. The Co-Chairs acknowledged that there was a certain degree of policy vacuum in the Fund, noting that the Board would have opportunities to capture this issue through other agenda items, such as the legal arrangements for the accredited entities, to be considered by the Board at the ninth meeting, and the monitoring and accountability framework for accredited entities, to be considered at the tenth meeting.

284. One Board member called for accountability, transparency and fairness. He asked why there was so much secrecy, and asked for clarity on how accountability was being applied. He also asked whether there had been consultations with stakeholders, in particular civil society organizations, regarding the activities and track record of entities requesting accreditation.

285. Regarding next steps, several Board members pointed out that the current application system operated only in the English language, which could be a barrier and a factor that increased the cost of application for certain countries. Additionally, one Board member suggested that the AP or Secretariat might need to provide a concise summary note of each of the applicants that identified to what extent they had worked on climate finance beyond the summary information provided in document GCF/B.09/04/Add.1. In addition, another Board member requested the Secretariat to provide information and status of pending applications next time so that they would have a better understanding of where the Fund stood regarding

accreditation, for example, using a traffic light approach. This point was echoed by a CSO active observer. He made several additional points including:

- (a) Lack of transparency in terms of disclosure of information on the applicants;
- (b) A need for verification of track record through external consultations including with affected stakeholders; and
- (c) A need for transparency over the assessment process.

286. A PSO active observer expressed support for the proposal to approve the seven applicants as a package. He stated that the decision was important because it highlighted the need for the Fund to be highly innovative. It also demonstrated willingness to learn from other parts of the climate finance ecosystem and showed consistency with the recommendations from the PSAG in that it included at least one private sector participant. The variety of entities also demonstrated risk diversification which provided several benefits for the Fund including new sources of capital. Finally he stated that the private sector was very comfortable with the delegation of authority to the AP and would not recommend any changes.

287. The Co-Chairs echoed a suggestion from one Board member, which was supported by several others, that the Board take a decision on accreditation of the proposed entities as a package, while another Board member insisted that it should be one-by-one discussion. The Board agreed to proceed with the approval of the accreditation proposals as a package and reached consensus that the Board would approve all seven applicants recommended for accreditation by the AP.

288. Given the discussion above, the Board members from a developing country constituency suggested having a group discussion to add additional lines to the initial draft decision text contained in Annex I to document GCF/B.09/04 to underline that the Fund would promote country ownership through accreditation, and that national and regional entities in developing countries could also apply under the international access modality.

289. The Co-Chairs called for a decision, the revised draft decision was approved and the following decision was adopted:

#### *DECISION B.09/07*

*The Board, having considered document GCF/B.09/04 Consideration of Accreditation Proposals:*

- (a) *Takes note with appreciation of the in-depth assessment conducted by the Accreditation Panel contained within the relevant annexes for the following applicants:*
  - (i) *Applicant 001 (APL001) is the Centre de Suivi Ecologique, as contained in Annex IV;*
  - (ii) *Applicant 002 (APL002) is the Peruvian Trust Fund for National Parks and Protected Areas, as contained in Annex V;*
  - (iii) *Applicant 003 (APL003) is the Secretariat of the Pacific Regional Environment Programme, as contained in Annex VI;*
  - (iv) *Applicant 004 (APL004) is Acumen Fund, Inc., as contained in Annex VII;*
  - (v) *Applicant 005 (APL005) is the Asian Development Bank, as contained in Annex VIII;*
  - (vi) *Applicant 006 (APL006) is Kreditanstalt für Wiederaufbau, as contained in Annex IX; and*

- (vii) *Applicant 007 (APL007) is the United Nations Development Programme, as contained in Annex X;*
- (b) *Accredits APL001, APL002, APL003, APL004, APL005, APL006 and APL007, pursuant to paragraph 45 of the Governing Instrument for the Green Climate Fund, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicant entities;*
- (c) *Requests the Secretariat to inform the national designated authorities and focal points whenever an entity is accredited for operation in their country, and encourages the accredited entities to make contact with the national designated authority or focal point when they intend to operate outside the country(countries) that nominated them;*
- (d) *Encourages the timely implementation of the accreditation framework and requests the Secretariat to pay special attention to the priority needs of developing countries, emphasizing readiness support to national and regional entities that request it, including those eligible for fast-tracking;*
- (e) *Requests the Secretariat to invite national and regional entities that are operating at scale to apply for accreditation to the Green Climate Fund in coordination with their national designated authority or focal point, as appropriate, to ensure country ownership and promote direct access to funding as envisaged under the Governing Instrument for the Fund;*
- (f) *Also requests the Secretariat to use best efforts to have applications ready for consideration and possible decision on accreditation by the Board at its tenth meeting;*
- (g) *Further requests the Secretariat to aim to achieve a balance of diversity, including equitable representation of different geographical/regional areas, in the list of entities considered for accreditation at the tenth meeting of the Board, between direct access entities, including some operating at scale, private entities and international entities;*
- (h) *Requests the Secretariat, in consultation with the Accreditation Panel, when implementing decision B08/03, paragraph (k), to provide recommendations for the fast-tracking of national, regional and private sector entities; and*
- (i) *Also requests the Secretariat to publish the assessment methodology and the questions used in the assessment of accreditation applications.*

## **Agenda item 15: Legal and formal arrangements with accredited entities**

290. The Co-Chairs opened the agenda item.
291. The General Counsel introduced document GCF/B.09/03 *Legal and Formal Arrangements with Accredited Entities*.
292. A Board member raised a question regarding the linkage between the document and the template for the agreement on immunities and privileges. The Co-Chairs confirmed that this matter would be discussed later in the meeting. The Board member asked to register the following four comments on privileges and immunities (P&I), which were supported by another Board member:
- (a) Signing of the P&I agreement should not be a precondition for developing countries to have access to the Fund;
- (b) In order to ensure transparency and equality, all countries should sign a P&I agreement;

- (c) Since the Board is only a governing body of the Fund, it may not be in a position to approve or agree any legal documents. We may need to turn to the COP which can provide a multilateral agreement on privileges and immunities open for signing; and
- (d) With regard to the P&I standards requested by the Fund, although it is not a United Nations agency, the United Nations has a long convention on P&I and the Fund's standards on P&I should be reviewed to ensure they match the standards of the UN.
293. The other Board member added two more comments which he wished to see reflected:
- (a) The terms of tenure of accredited entities; and
- (b) To “unbundle” the accreditation process from the issue of P&I.
294. Another Board member asked to what extent the accreditation master agreement (AMA) was consistent with the fit-for-purpose accreditation approach and whether it could accommodate the specificities of different entities. He stated that it was important that the AMA was not unnecessarily complicated.
295. Several Board members stated that there needed to be greater clarity re-definitions. One Board member noted that the document referenced both implementing entities and accredited entities. There should only be one term and the definition of that term needed to be consistent with the definition in the Governing Instrument. Another Board member asked for clarification of whose “general understanding” was being referred to under section 2.3 and of the arbitration and governing laws for disputes.
296. Another Board member asked for two specific changes to be made to paragraph 7 of Annex II to document GCF/B.09/03:
- (a) To indicate that the AMA might include, but would not be limited to, the provisions contained in the paragraph; and
- (b) To include another bullet point – (ff) – adding another provision which directed accredited entities to take action on certain circumstances such as pursuing recipients that had used funds inappropriately.
297. A Board member said he fully agreed with the rationale behind the agreement to enable accredited entities to benefit from the Fund as soon as possible, and proposed deleting paragraph 7 (k) of Annex II to ensure that the Board could take the decision quickly. The proposed deletion was fully supported by two other Board members. Another Board member supported this view, but suggested dealing with it separately. Another supported this but wanted the Board to think about protecting its own resources. Another Board member said he supported these comments and that he was happy to delete paragraph 7 (k) to enable discussions to continue, but that this would not provide a solution to the actual problem.
298. The General Counsel responded to questions raised by Board members. He proposed that the seven entities discussed on 25 March 2015 would be called accredited entities. He added that policies would evolve and that the AMA needed to have the flexibility to be amended which, he noted, was not without precedent. Document GCF/B.09/03 had been developed in consultation with at least 10 potential accredited entities with a broad background as demonstrated during the accreditation discussion on previous day. As to the matter of which law should apply, he stated that he had a lot of sympathy for national laws, but that they should be combined with those of the Fund. It would be difficult for the Fund to work with 30 different laws. He stated that the Fund needed a wider selection of laws, but advised against the idea that the AMA must be governed by the law of the country in which the Fund was operating. He counselled against removing paragraph 7 (k), saying that it was extremely important and that it was needed to protect the assets, the people working for the Fund, the Board members and the staff of the Fund. He added that, if the Fund did not have a P&I agreement, it would have to rely on that of the accredited entities and that would mean working more with international

organizations. To ensure broad access, it was necessary to create a level playing field. A bilateral P&I agreement was needed as per the decision B.08/24, and it was important to avoid a competition among accredited entities with and without P&I.

299. A number of Board members expressed their concern about the bilateral agreement on P&I, stressing that they did not want to create a super entity and did not understand the need to have a P&I agreement to operate projects in countries when other international organizations, including United Nations agencies, were doing so without one. They stated that they wished to see the deletion of paragraph 7 (k).

300. A Board member thought this difficulty had been created by the decision of the Board not to establish the Fund as a United Nations agency and suggested following the precedent set by the Asian Development Bank (ADB) of providing a multilateral agreement that was open for signature by its members.

301. The Executive Director drew the attention of the Board to paragraph 8 of the Governing Instrument and paragraph 21 of the guidance from the twentieth session of the COP, both of which urge for adoption of P&I for the Fund and its operation.

302. A representative of the Secretariat was asked to comment on bilateral P&I agreements. He stated that, over the course of 10 years, he had negotiated many such agreements for the ADB, and that the ADB had to implement bilateral agreements in places where its offices were situated. He said that this showed that that method could be used and had been used in the past. He said that the ADB's operations had commenced after those agreements had been signed and that they were fairly consistent with what had been proposed in the template issued to the Board.

303. A Board member stated that the Secretariat needed to listen to the comments of the Board. He said that the Secretariat was imposing a conditionality. He suggested changing the wording of document GCF/B.09/03, Annex I, paragraph (b), to add "authorizes, to the extent necessary, after consultation with the Co-Chairs, the Executive Director..." He said he was not willing to give the Secretariat carte blanche.

304. Another Board member said he was still not sure whether the entities accredited on 25 March 2015 were national, regional or international. He was happy that the COP had been cited, but he thought that signing a P&I agreement should not be a precondition. The COP guidance urged developing country Parties to enter into bilateral agreements with the Fund, but did not make this a prerequisite. He said the Fund should not disrespect applicable national laws. He stated that if the domestic laws were not working, the Board should not carry out business in the country concerned.

305. The Co-Chairs suspended the session and asked the General Counsel to revise the document to include comments from the Board members and report back later. The General Counsel said the document would be revised in consultation with the Co-Chairs and the Board members who had strong views.

306. The Co-Chairs re-opened the agenda item and the General Counsel read out the changes made to the document:

- (a) Annex I: Addition of paragraph (c); and
- (b) Annex II: Revision to paragraph 7, deletion of paragraph 7 (k) and addition of a new paragraph 7 (k), revision to paragraph 7 (m), (r), (z) and (cc) and addition of paragraph 7 (ee).

307. A Board member said that he did not see any reason to suspend accredited entities before a review when they could simply be suspended if their performance was not up to standard.

308. The General Counsel replied that the term “review” did not refer only to periodic reviews, but also to ad hoc reviews. If the review identified an issue, the Fund should have the right to suspend the accredited entity. Regarding another Board member’s comment on project confirmation, he replied that it would be project specific (1–2 pager) and would be executed between the Fund and the entity on the funding proposal. The comment on adding “countering financing of terrorism” would be added to Annex II, paragraph 7 (m).

309. A Board member said he could support all amendments but he wished to know whether the accreditation of an entity would last for an indefinite period, whether there was a maximum amount for which they could be accredited, and whether there was any mechanism to allow for removal of accreditation at some point in the future.

310. Another Board member requested that paragraph 7 (bb) be removed from Annex II. The General Counsel replied that some entities would have enshrined P&I in their instruments and for that reason this paragraph was required to carry out projects with those entities. He also stated that the wish was for them to respect the Fund’s P&I. The Executive Director added that this referred to mutual P&I between the Fund and the accredited entities. The same Board member asked whether paragraph 7 (bb) would apply only to entities like the World Bank, which the General Counsel confirmed, adding that it had nothing to do with paragraph 7 (k) which had been removed.

311. Another Board member stated that, although it would increase bureaucracy, it was important to fix the term for accredited entities at five years. Without it, there was no limit which might expose the Fund to legal action. The Co-Chairs asked whether the footnote took care of that concern, but the member replied that it did not.

312. The Executive Director said that the new paragraph 7 (k) states that any policies changed would automatically be updated in the accreditation agreement. She also said that the monitoring and accountability of accredited entities and the proposal on the potential fixed term of accredited entities would be discussed at the tenth meeting.

313. A Board member requested that the following be added at the end of paragraph 7 (z): “omitting any information that is deemed commercially sensitive by the accredited entity”. Another member agreed to this, but suggested deleting “commercially” because it was not only commercial matters that could be sensitive in nature.

314. With further changes to be made to Annex II, paragraph 7 (m) and (z), the following decision was adopted:

*DECISION B.09/08*

*The Board, having considered document GCF/B.09/03 Legal and Formal Arrangements with Accredited Entities:*

- (a) Endorses that the Fund shall enter into agreements or other arrangements with entities upon their accreditation by the Board taking into account the considerations set out in Annex XI;*
- (b) Authorizes, to the extent necessary, the Executive Director – or his/her designee – on behalf of the Fund to negotiate and agree on the terms and conditions of such agreements with accredited entities reflecting the scope of the accreditation, and to enter into such agreements.*
- (c) Requests the Secretariat to inform the Board regularly on progress made in the implementation of this decision;*

- (d) *Also requests the Secretariat to include in the proposal on the monitoring and accountability framework to be prepared for consideration by the Board at its tenth meeting a proposal on the potential fixed term of the accreditation decisions.*

## **Agenda item 16 and 17: Private Sector Facility**

315. The Co-Chairs suggested that agenda items 16 and 17 be considered together in order to save time. This was accepted by the Board and the Co-Chairs opened the agenda items.

### **Agenda item 16: Private Sector Facility: Potential approaches to mobilizing funding at scale**

316. The Director of the Private Sector Facility (PSF) introduced document GCF/B/09/11/Rev.01 *Private Sector Facility: Potential Approaches to Mobilizing Funding at Scale*. He stressed that there is a US\$ 300 billion gap in energy efficiency that is required in order to stabilize average temperature increases at 2°C. Furthermore, there will be a 40 per cent water shortfall by 2030. It is therefore important that the Fund takes measures to address efficiency in its investments. As such, it needs to channel climate financing to existing corporations (including industry, large corporations and SMEs) and households through commercial corporate and retail financing. The Fund therefore has to ensure that it accredits a balanced portfolio of intermediaries in order to successfully mainstream climate finance into the private sector in the area of energy efficiency (both private sector investors and private sector borrowers and equity seekers). The balanced portfolio could include:

- (a) Commercial banks;
- (b) Impact investors;
- (c) Private Equity Funds; and
- (d) Development banks.

317. These are the institutions that typically provide financing for energy efficiency measures. Without engaging these institutions, the Fund will remain marginal and will only be active in project finance, which forms only a small fraction of total global capital. The Fund should create an inclusive community through a platform to make climate finance universally accessible for the green community and enable knowledge-sharing.

318. Some Board members stated that the PSF should be operational no later than the rest of the Fund. Another member stated that the Board had already decided that the PSF was a part of the Fund that would start operating at the same time as the Fund.

319. A Board member stated that institutions providing a high leverage ratio should be prioritized for accreditation by the Fund.

320. Several Board members expressed the view that crowdfunding would primarily help to enhance the Fund's image, but might have a limited impact on drawing in financing at scale. One Board member stated that crowdfunding sent a good signal and helped to target younger people. Two Board members expressed the opinion that crowdfunding was not appropriate for the Fund as it would crowd out some of the existing grassroots players.

321. Many Board members stated that letters of intent were critical for the Fund to engage with the private sector as the private sector would need a level of certainty. They stated further that this constituted usual business practice.

322. A Board member expressed the view that the Fund should issue an RFP to operationalize the approaches outlined in document GCF/B.09/11/Rev.01, while another Board

member thought that the document was premature when the Fund had no track record. One Board member sought clarity on the size of resources that might be auctioned out to leverage additional resources in order to ensure that this approach was in line with other allocations, including in the direct access pilot. He further stated that it would be preferable to mobilize funding at the project level rather than the Fund level as investors would seek returns that were commensurate with the risk.

323. Two Board members stated that the Fund must focus on the transformative effects of mobilizing private sector financing, both on the sourcing side and on the user side. Another two Board members stated that the needs of recipients and the objective of country ownership must be taken into account.

324. Several Board members made reference to the fact that the Fund's risk management framework should take the use of the products referenced in the document (bonds, commercial paper, syndications, club deals and private placements) and associated leveraging into consideration.

325. A CSO active observer argued that the draft decision contained in document GCF/B.09/11/Rev.01 should not be adopted as it was premature, and that most of the text contained therein had already been decided upon by the Board. She questioned the effectiveness of leveraging or crowding in Funds as presented. She stated that decisions on crowdfunding and non-binding letters of intent were premature. She noted the many shortcomings of working with financial intermediaries such as seriously inadequate monitoring and transparency, poor development outcomes, compromised environmental and social standards, and serious deficiencies in accountability to affected communities and other stakeholders.

326. A PSO active observer stated that crowdfunding could be useful to build a community, but recognized that there could be reputational risks relating to operating the platform. She stated that it might be more successful to allow sponsors to crowdsource. She supported the idea of an auction, but questioned how this would be managed. She recalled a PSAG recommendation to mobilize funding through off balance sheet special purpose vehicles.

327. Another PSO active observer stated that the appetite in developing countries for green bonds existed and that green bonds had the potential to be transformational.

### **Agenda item 17: Private Sector Facility: Working with local private entities, including small and medium-sized enterprises**

328. The Director of the Private Sector Facility introduced document GCF/B.09/12 *Private Sector Facility: Working with Local Private Entities, Including Small and Medium-Sized Enterprises*. He emphasized the importance of engaging all local actors, including corporates, small- and medium-sized enterprises (SMEs) & financial institutions. The Fund could start by targeting SMEs through a US\$ 100 million pilot programme aimed at energy and water efficiency of SMEs and accounts receivables discounting of SME suppliers for climate sensitive equipment (including renewable energy, irrigation equipment, efficiency equipment and technology, etc.).

329. Some Board members questioned whether the US\$ 100 million amount for the RFP was appropriate. One member expressed concern that the a set aside as described in the draft decision implied a risk of leaving funding unspent and creating perverse incentives to inflate requested amounts, which in the case in question is US\$ 100 million for the SME pilot programme. He stated that when requests for proposals are presented, they need to show how

the proposed amounts are arrived at and whether they represent a ceiling. Another Board member asked how long the pilot would last.

330. Several Board members, and a PSO active observer, stated that the cap of US\$ 50 million was too high and should be lowered as this would provide the Secretariat with more flexibility when implementing the pilot. A cap of US\$ 30 million was first proposed by one Board member. A cap of US\$ 20 million was proposed by another Board member, and was echoed by two more Board members. Another Board member stated that the cap should be removed altogether.

331. A number of Board members stated that it would be preferable to increase the size of the programme rather than reduce the cap as this would ensure more flexibility and better geographic distribution.

332. A Board member stated that the 10 per cent component for capacity-building might be too low as SMEs would be likely to need significant capacity-building. Another Board member stated that this had to be linked to the Fund's mandate. Other Board members thought that there should be a strong focus on capacity-building and readiness.

333. Some Board members stated that what was often most needed was equity so the programme should not focus specifically on lines of credit. Two Board members stated that foreign exchange risk was a key issue and should be considered as it could undermine concessionality.

334. Other Board members expressed the view that monitoring and evaluating the impact of the pilot and lessons learned was important for the Fund.

335. Several Board members stated that engagement with SMEs was important for addressing gender in climate change and that a large percentage of SMEs were operated by women. A Board member stated that the Fund should engage with other local actors, not just SMEs.

336. Several Board members stated that the PSAG could provide recommendations on an RFP. One Board member stated that the Secretariat could work with the PSAG on the RFP aspect. Another stated that the mandate of the PSAG, as defined by its terms of reference, was exclusively to advise the Board and not to work with the Secretariat.

337. A Board member highlighted that concessionality should be used for the benefit of recipient countries. Two Board members recommended that the PSF learn from the Global Innovation Lab for Climate Finance and explore the possibility of partnership, whilst a third suggested that the PSF should learn from all relevant stakeholders.

338. Several Board members agreed that the pilot should also consider micro-sized enterprises, of which there were many in the informal sectors of developing countries. They also stated that the definition of SMEs should be clear.

339. A Board member thought that the Fund should consider an SME strategy with a broader approach to SMEs than the RFP. One member called for more clarity on how the proposal would align with the country's strategies, and on the role of the NDA. Another Board member suggested that there should be strengthened outreach to SMEs to increase their knowledge of the Fund, as LDCs would be very interested in working with the Fund.

340. The Executive Director made a statement to respond to some of the comments and questions. She highlighted that the Board had already taken decisions to fully operationalize the PSF as an integral part of the Fund. Given that there was material divergence on how to proceed, and in light of the full agenda of the tenth meeting of the Board, she suggested that documents GCF/B.09/11/Rev.01 and GCF/B.09/12 be further considered for the twelfth meeting of the Board.

341. One Board member stated that the Board should not be prescriptive in this case, and others stated that the Board should request fewer papers from the Secretariat.

342. Several Board members expressed the view that the PSAG could provide recommendations to the Board on these two agenda items. They further expressed the view that that the Secretariat could report on its progress in terms of outreach and readiness.

343. A number of Board members expressed concern that pushing back the agenda items would send a negative message, and that postponement must not undermine the level, speed or scope of engagement with the private sector.

344. The Executive Director proposed that the Board adopt only one decision in which it did not push back the agenda items, but took note of the documents under consideration and requested the Secretariat to produce an update on PSF activity.

345. A CSO active observer stated that she was encouraged at the focus on SMEs as this could also enable the operationalization of a gender-sensitive approach. She called for improvements to the proposal, such as a clear and consistent definition of SMEs, taking into account micro-enterprises and the informal sector. She advocated for the total allocation of the pilot programme to be determined by how many high-quality proposals were submitted, taking diversity and geographic balance into account, with a clear timeline for the pilot and review. She called for more funding for capacity-building, helping micro, small and medium enterprises (MSMEs) to contribute to advancing mitigation and adaptation programmes which could be a unique way for the Fund to add value. She raised concern regarding a potential conflict of interest if the PSAG were involved in the development of RFPs for the MSME initiative.

346. A PSO active observer stated that the RFP should not be biased against SMEs that provide new technologies. He stated that blending funds to provide working capital for SMEs could be transformational. He further stated that the cap should be lowered to US\$ 20 million.

347. Following work in a small group, a revised draft decision text was presented to the Board.

348. A Board member expressed concern that entering into a non-binding letter of intent with a non-accredited entity might be interpreted as a commitment to accredit it.

349. The General Counsel advised that there would not be a conflict of interest, nor would there be any legal commitment to accredit the entity or to fund the proposal.

350. Amendments were made to the draft decision text and then read out by the Executive Director.

351. The Board approved the amended draft decision and the following decision was adopted:

*DECISION B.09/09*

*The Board, having reviewed documents GCF/B.09/11/Rev.01 Private Sector Facility: Potential Approaches to Mobilizing Funding at Scale, and GCF/B.09/12 Private Sector Facility: Working with Local Private Entities, Including Small and Medium-Sized Enterprises:*

(a) Takes note of the documents;

*Aiming to accelerate the operationalization of the Private Sector Facility (PSF) consistent with the objectives of the Fund:*

(b) Requests the Secretariat to take into consideration comments from the Board in its day to day work, including outreach, support for accreditation process and reviews of concepts;

(c) Also requests the Secretariat to aim to achieve a diverse balance in accredited private entities, including subnational, national, regional and international intermediaries that have a significant on-the-ground presence in developing countries. These entities would

- have to meet the Fund's accreditation requirements and demonstrate a track record of operating in developing countries;*
- (d) *Notes that the Secretariat may issue, after informing the relevant national designated authority, non-binding letters of intent as needed to accredited or potentially accredited entities. In the latter case, the letter shall contain a provision to the effect that the interactions will not influence the process of accreditation;*
- (e) *Requests the Secretariat to produce a regular update report to the Board on PSF activities;*
- (f) *Also requests the Private Sector Advisory Group (PSAG) to present to the Board at its tenth meeting additional recommendations regarding the establishment of a small and medium-sized enterprise (SME) programme as presented in document GCF/B.09/12;*
- (g) *Further requests the PSAG to present to the Board at its tenth meeting additional recommendations for activities regarding mobilizing resources at scale based on document GCF/B.09/11/Rev.01, and comments from the Board, including modalities for issuing requests for proposals, consistent with the objectives of the Fund; and*
- (h) *Requests the Secretariat to submit for the Board's consideration at its eleventh meeting the request for proposals for the SME programme and an outline of activities that could be undertaken to mobilize resources at scale.*

## **Agenda item 18: Status report on the operations manual and the appraisal toolkit**

352. This item was not considered by the Board.

## **Agenda item 19: Terms of reference of the independent Technical Advisory Panel**

353. The Co-Chairs opened the agenda item.
354. The Director of Mitigation and Adaptation introduced document GCF/B.09/09 *Terms of Reference of the Technical Advisory Panel* after which the Co-Chairs opened the floor for comments.
355. A number of members and a CSO active observer stated that the number of independent Technical Advisory Panel (TAP) members should be increased from four to six as the former option would not provide the necessary expertise. A Board member raised concerns over the selection process for TAP candidates, stressing the importance of ensuring transparency in its process. Consideration of gender balance in the composition of the Panel was also suggested by several Board members.
356. Two Board members suggested establishing a roster of experts over time for the selection of TAP members and additional experts according to needs. One Board member called for the gradual inclusion of a roster of experts in major mitigation and adaptation areas in the language of the draft decision under consideration.
357. A CSO active observer noted that civil society had expertise about needs on the ground and implementation and should be considered for membership of the TAP or inclusion on a potential roster of experts. He noted the need for more specific guidance on the review process for the TAP. Two Board members emphasized the importance of stakeholder engagement when the TAP conducted its assessment.
358. A number of Board members underlined the importance of keeping the term "independent" in front of "Technical Advisory Panel". A Board member highlighted that

endorsement of TAP members by the Board should occur on a no-objection basis, and further noted that the terms of reference should contain an explicit reference to the code of ethics, with which another Board member concurred.

359. With regard to the proposed US\$ 10 million threshold for TAP engagement, two Board members asked the Secretariat to clarify why this figure had been chosen, and hoped that it would not lead to the exclusion of smaller projects. Another two Board members inquired as to what would happen for projects under the threshold of US\$ 10 million with the latter suggesting an amendment to the terms of reference at a later date to take small-scale projects into account.

360. The Director of Mitigation and Adaptation responded by stating that the US\$ 10 million TAP engagement threshold represented the Fund's portion of the entire project investment cost. It was the threshold that separated the small and medium proposals in the draft Board document B.08/22 *Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities*. He explained that the threshold had been put in place in an effort to streamline and allow the TAP to focus on riskier and more substantial projects in a third stage of due diligence, as smaller-scale projects would already have been covered by due diligence processes with the Secretariat and the accredited entity.

361. A Board member expressed the view that the two-week timeline for TAP reviews might not be adequate, and proposed adding language that softened the two-week turnaround requirement. Another Board member stated that the TAP should not just contribute to project review, but also have a more visionary role to identify broader mega-trends.

362. Two Board members stated that the Executive Director should consult with the EAC before terminating the consultancy contract of a TAP member. He underlined that the TAP should report orally to the Board during meetings of the Board.

363. Another Board member enquired as to the specific budget for the TAP and the hiring of consultants. The Executive Director clarified that it was difficult to establish a specific figure in terms of budget as this was dependent on several variables, but that based on the experience of similar advisory panels, she deemed that resource needs would be significant. She noted that the selection process would be open and competitive, taking gender and geographic balance into consideration.

364. The Secretariat distributed a revised draft decision to the Board incorporating their comments and amendments. The Board approved the draft decision and the following decision was adopted:

#### *DECISION B.09/10*

*The Board, having reviewed document GCF/B.09/09 Terms of Reference of the Technical Advisory Panel:*

- (a) Approves the terms of reference of the independent Technical Advisory Panel (the Panel) as contained in Annex XII hereto; and*
- (b) Requests the Investment Committee, with support from the Secretariat and as soon as is possible, to nominate six experts as members of the Panel, for endorsement by the Board through a decision to be taken between meetings on a no objection basis.*

### **Agenda item 20: Decision-making procedures for the Board in the absence of consensus**

365. This item was not considered by the Board

## **Agenda item 21: Additional modalities that further enhance direct access: Terms of reference for a pilot phase**

366. The Co-Chairs opened the item.

367. The Director of Country Programming introduced document GCF/B.09/05 *Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase*.

368. The Chair of the AC, Ambassador Jan Cedergren, indicated that the pilot would be important in enhancing direct access for developing countries.

369. Several Board members welcomed the initiative and added that it was critical for the Fund and an opportunity to demonstrate that enhancing direct access could be successful.

370. A number of Board members raised concern that US\$ 100 million, the amount of money proposed to be disbursed in the pilot phase, was too little to achieve the scale required to make the paradigm shift and to determine the effectiveness of the pilot. Many Board members also commented that the proposed two-year duration of the pilot phase was too short, and a Board member requested clarification from the Secretariat as to whether the duration of the pilot phase included the execution of the projects. He also indicated that the pilot phase should include private sector projects.

371. Two Board members pointed out the need to clarify the role of NDAs and focal points in the pilot, and added that devolution of power and delegation of authority for approving individual projects was important.

372. Several Board members also requested clarification on the difference between direct access and enhancing direct access, and raised questions on how the competitive selection process to identify entities that seek to participate in the pilot, as proposed in the document, would be conducted.

373. A number of Board members pointed out that it was important to ensure that there was sufficient oversight to review and evaluate the effectiveness of the pilot, and how the results of monitoring would lead to broader learning.

374. The role of the TAP was also discussed. Two Board members highlighted the need to clarify the role of the TAP in reviewing the pilot and providing feedback on its effectiveness. Active observers also commented that they supported the pilot and called for local and devolved decision-making and multi-stakeholder engagement to make the pilot successful. They also suggested that a small grant facility be introduced to enhance direct access to climate finance.

375. The Director of Country Programming clarified the role of NDAs in spearheading the submission of funding proposals from accredited entities using the guidelines on best practice of NDAs adopted by the Board at its eighth meeting. He also clarified the difference between direct access and enhanced direct access stating that enhanced direct access went beyond accrediting national entities to look at institutional arrangements around them. These would include the setting up at the country level of an oversight mechanism as well as multi-stakeholder engagement by the entity. With reference to queries from some Board members regarding oversight and accountability, the Director of Country Programming stated that in developing the document, the Secretariat had sought to ensure consistency with existing frameworks of the Fund such as the investment framework and results management framework. He confirmed that a document on the monitoring and accountability of accredited entities would be presented at the tenth meeting of the Board. The TAP would also be involved in the assessment of the pilot proposals.

376. The Director of Country Programming welcomed the suggestion that guidance be provided by the AC. Undertaking projects under the pilot phase would allow lessons to be learned with regard to the effectiveness of enhancing direct access.

377. The Co-Chairs requested that the AC work with the Secretariat in addressing the comments raised by Board members, and come back to the Board with a revised draft decision.

378. The item was not re-opened.

## **Agenda item 22: Template for the bilateral agreement on privileges and immunities**

379. This item was not considered by the Board

## **Agenda item 23: Gender policy and action plan**

380. The Co-Chairs opened the agenda item.

381. A representative of the Secretariat introduced document GCF/B.09/10 *Gender Policy and Action Plan*. He explained that the document summarized the rationale for the Fund's commitment to gender sensitivity and drew on lessons learned from other development and climate finance institutions, consistent with the approach of the United Nations gender mainstreaming policy established in 1997. The Gender Policy and Action Plan aimed to achieve more sustainable outcomes, gender-equal benefits, a reduction in the gender gap and mitigation of the impacts of climate change on women's health and mortality.

382. The Co-Chairs invited comments from the Board.

383. A Board member informed the Board that, since the eighth meeting, much work had been undertaken in reaching out to many Board members to make the gender policy and action plan even better. She noted that they had been energized by the Lima work programme on gender (decision 18/CP.20). A number of amendments had been proposed. She said that these had been inserted into the action plan and sent to the Secretariat. These could either be distributed to Board members or added, following further discussions, to the draft decision text contained in document GCF/B.09/10.

384. Many Board members expressed satisfaction with a strong gender policy highlighting the importance of sending a signal of the Fund's ambition and innovative spirit while acknowledging that there was room for improvement. There was wide support for adopting the policy at the meeting rather than delaying any longer which some suggested created a reputational risk for the Fund. To this end, it was suggested that the policy should be adopted on an interim basis and revisited in one or two years' time once a gender specialist had been recruited and provided feedback.

385. A Board member raised a number of concerns, including the need to redraft the section on the role of NDAs and focal points as there was a core relationship between them and the Fund, and suggested that this could be prepared for consideration at the tenth meeting of the Board. He recommended that the Board should not adopt mandatory gender or socioeconomic assessments. He noted that the Secretariat had not yet disbursed resources for readiness support to NDAs and focal points. Another Board member echoed this point by suggesting an amendment to section 4.6 to state that the Fund would allocate sufficient budgetary resources to assist NDAs and focal points with readiness and preparatory support for the Fund's gender policy implementation.

386. A Board member suggested the policy be adopted provisionally for a year, or until the next meeting, so that the views of the Board and especially female representatives of civil society organizations accredited to the Fund, could be taken into account.

387. Another Board member said that there was a need for more time to be given to allow gender specialists to provide further guidance. He also asked Board members to make

submissions between the ninth and the tenth meeting. The Executive Director stated that the Board could adopt the same approach as for the interim human resources guidelines with a deadline given to Board members for their submissions.

388. The Executive Director proposed adding a new paragraph (d) to the draft decision text (Annex I to document GCF/B.09/10) as follows:

*“Requests the Secretariat’s Gender and Social Development Specialist to conduct a review of the gender policy and action plan, in consultation with the civil society organizations (CSOs) accredited with the Fund, and submit an updated version by the twelfth meeting of the Board. Members of the Board are invited to submit their comments or additional proposals regarding the current policy and action plan by the tenth meeting of the Board.”*

389. A Board member suggested several amendments to Annex II and the policy. He noted that section 4.2 on comprehensiveness in scope and coverage did not include the advocacy initiatives in which the Fund would be involved. In that section, it would be useful to mention the applicability of gender policy to the Fund’s advocacy work.

390. With regard to the principle of country ownership, whilst it was important that projects and programmes were aligned with national policies and strategies on gender, there might be instances where countries had outdated policies and strategies that were not always relevant to the Fund’s mandate. Reference should be made to that in section 4.4. There could also be an implication for project proposals in terms of the no-objection procedure.

391. In Annex III, the Board member suggested that the governance and institutional structure established to support the gender policy and action plan should include a reference advisory group to assist the Secretariat, and the decision to formulate a partnership with that group should not rest solely with the Gender and Social Development Specialist. Both the Global Environment Facility and the Climate Investment Funds had benefitted from this approach.

392. One Board member proposed that the action plan be strengthened by including a risk analysis that covered gender issues, making it more ambitious by incorporating terms like gender-responsive or gender-transformative, and monitoring progress on gender implementation through a gender-marker system in line with the systems used by the World Bank and the Asian Development Bank.

393. Another Board member suggested that the gender specialist be placed under, or closer, to the Executive Director, a point that was echoed by a CSO active observer.

394. A number of Board members highlighted the need for Board gender training. One Board member noted that only 20 per cent of the Board members were currently women.

395. A CSO active observer made a number of proposals and stressed that approving the policy was one way to begin the process of transformational change. A PSO active observer also supported adopting the policy then.

396. A Board member stated that, as had been made clear since the fifth meeting of the Board, the policy needed to meet the requirements of all 195 countries without crossing cultural and religious red lines would be necessary to discuss further with specialists.

397. The Co-Chairs noted that there appeared to be a consensus, with the exception of one member. The Board member asked the Co-Chairs to take greater care when making such remarks as there was no consensus and it was not acceptable for one member to be singled out.

398. Three Board members asked that particular concerns be explained to the Board so that they could understand them and explore how they might be addressed.

399. The Co-Chairs suspended the agenda item for consultations amongst the Board.

400. Following further consultations among members, the Executive Director proposed that paragraph (a) in the draft decision be amended to incorporate the text agreed at COP 20:

*“Acknowledging the progress made in advancing gender balance and gender equality within the context of climate change policies and in line with individual country circumstances when applying said policy.”*

401. The Board approved the amended draft decision and the following decision was adopted:

*DECISION B.09/11*

*The Board, having considered document GCF/B.09/10 Gender Policy and Action Plan:*

- (a) Adopts the gender policy proposed in Annex XIII, acknowledging the progress made in advancing gender balance and gender equality within the context of climate change policies and in line with individual country circumstances, when applying said policy;*
- (b) Also adopts the gender action plan as contained in Annex XIV;*
- (c) Requests the Secretariat to take the necessary measures in order to expedite the implementation of the policy and action plan; and*
- (d) Also requests the Secretariat’s Gender and Social Development Specialist to conduct a review of the gender policy and action plan, in consultation with the civil society organizations accredited with the Fund, and to submit an updated version of both by the twelfth meeting of the Board. Members of the Board are invited to submit their comments or additional proposals regarding the current policy and action plan by the tenth meeting of the Board.*

## **Agenda item 24: Administrative guidelines on the budget and accounting system**

402. This item was not considered by the Board

## **Agenda item 25: Administrative guidelines on the internal control framework and internal audit standards**

403. This item was not considered by the Board

## **Agenda item 26: Methodology for decisions in between meetings**

404. This item was not considered by the Board

## **Agenda item 27: Initial term of Board membership**

405. The Co-Chairs opened the agenda item.

406. The General Counsel introduced document GCF/B.09/20 *Initial Term of Board Membership*.

407. A Board member stated that she did not want to alter the current rule whereby the seats changed hands in August. She suggested that, for those who were unable to arrange for a new person to replace them, the incumbent could remain in the post until 1 January of the following

year. This was supported by two other Board members, one of whom requested that this be put in writing.

408. Noting that the Asia-Pacific constituency would be meeting in June 2015, a Board member asked for clarity on whether the term would end in August or be extended until December. He said that informing the constituency that the current Board members would remain in the role if a replacement were not found, would be a very delicate situation. The Board should bear in mind that these constituency positions were heavily negotiated within the region.

409. Another Board member said that the election of Board members from the African constituency was to take place at the twenty-first session of the COP, from 30 November to 11 December 2015, which meant that the Board would be without members representing that constituency for the remainder of the year. One Board member said that given the heavy workload leading up to COP 21, it would be a disaster to change the Board membership in August for there was a certain learning curve that the new members must go through to fully understand their role as a Board member. He stressed the need to establish an institutional memory to ensure that there was a collective working relationship at the eleventh meeting of the Board to be held in October. He said that it made sense to align the Board term with the calendar year.

410. A Board member pointed out that, although the deadline for electing the current Board members was April 2012, the process lasted from December 2011 to August 2012, thus the Board started work at the end of August. With this in mind, it would be highly unlikely that the regional groups and the two constituencies could put together their representatives in the space of four months. This would paralyse the Fund because there would be no Board to attend the meeting in October. He suggested either going with what the Co-Chairs had proposed or leaving it to the constituencies to resolve the matter by August.

411. Another Board member proposed replacing the current draft decision contained in document GCF/B.09/20 with a new one. Paragraph (a) would read:

*“Decides that the Board members and alternate Board members, whose terms expire on 23 August 2015, shall continue their function until their successors have been selected, but not beyond 31 December 2015”.*

412. This would allow the Board to work within the constraints of the Governing Instrument without having to change it or ignore what it says and would also deal with the concerns of some Board members regarding leaving enough time for constituency arrangements to be completed. The Board term could not go beyond 31 December, but that should provide sufficient time for it to be done at the COP. He said that there were two further paragraphs that applied the same principle to the members of the AC, the IC, the RMC and the PSAG, as well as, representatives of the active observers. He offered to provide drafts of these paragraphs which were fairly long but reflected exactly the same idea. The Co-Chairs would also be part of this.

413. Another Board member supported this proposal. He stated that this proposal addressed the necessity of having a Board in place, but he wanted to know whether this would resolve the question of Board membership terms or future calendar years.

414. One Board member asked the General Counsel whether this decision would effectively amount to the Board members electing themselves, because this would set a very bad precedent and might call into question the decisions they took. This would not just affect the draft decision under consideration; there was then a risk that whatever the Board did thereafter was potentially subject to challenge.

415. Another Board member supported this point and stated that it would be useful to obtain guidance from the General Counsel. He also requested clarification from another Board member

on whether his proposal would be a quick fix that resolved the issue that year, but left the Board facing the same situation the following year.

416. Another Board member agreed with the proposed text in paragraph 410 but requested confirmation that it is not a form of self-election. He agreed that, for obvious reasons, it was not a good idea to have a renewed Board in October and that it was necessary to avoid some Board members being elected in January and others in August, as a fellow Board member had said.

417. The Board member clarified that his proposed revision to the text dealt with only the immediate challenge and did not provide a long-term solution. He said that the draft decision under consideration would serve the purpose of the Board because it was still fully consistent with the three-year term as set out in the Governing Instrument, and the legitimacy of the Board's authority during the period was not in doubt.

418. The General Counsel responded that, in his view, this solution did not constitute self-election because the decision was made by the constituency, not the Board members. He said that there was an obvious lacuna in the Governing Instrument and the Rules of Procedure which needed to be resolved. Reiterating what some Board members had already mentioned, he stressed that the last thing the Fund needed, especially in 2015, was not to have a quorum in October. He said that, even if there was an element of self-selection in filling the lacuna in the short term, it should not cause any conflicts as the Board also had a fiduciary obligation to ensure that the highest authority within the Fund could function with a quorum. He agreed that this would not fix the problem in the long term, and said that he would work with the Board to find a definite solution to align the terms with calendar year.

419. One Board member was not satisfied with the response, saying that the Board could not simply rely on in-house counsel in this matter. He suggested informing the constituencies of the Board's proposal.

420. The Board member who had proposed the revised text disagreed with this suggestion saying that he thought the Board was acting within its authority in terms of clarifying the time frame. The constituencies certainly played a key role in the actual selection of a new Board member, but not in that case. He said that from his non-legal point of view, it would be unnecessary to get approval from the constituency simply to extend the term.

421. The General Counsel said that the constituencies knew that they had to select a Board member every three years. That was still a rule for them. There was no rule stating that the Fund must inform them that the next term was coming up, but that it would be a matter of courtesy to do so. He recollected that, in 2011, the UNFCCC secretariat had sent a letter to all constituencies requesting them to elect a Board member; however, there was no set procedure for doing this. He said that it was the fiduciary role of the Board members to fill the lacuna, thereby ensuring that the position remained occupied. What the Fund might need was an interim measure, similar to the measure already in place for the Co-Chairs, stating that it was in the interests of the Fund that the seat remained filled until the constituency had elected a new Board member. He agreed with the point that the constituencies should be informed that this interim measure had been taken and that it should be left up to them for the election period.

422. One Board member reminded the Board that the African States had been the first to finalize their selection of Board members, but had had to wait for other constituencies to finalize their designation. He said that this could also be the case this time and that he would support an ad hoc extension to avoid that situation.

423. A Board member suggested that the Board should not take an immediate decision but instead inform the constituencies and request for guidance on what action they would like the Board to take. He was against setting a precedent.

424. Another Board member raised concerns that some constituencies might reply and some might not. He proposed that the Board take a decision in principle and then write to the UNFCCC

secretariat with a request to remind constituencies of their duty to elect members to the Board this year. A letter should also be sent to the UN mission in New York where most of the constituencies are based, stating that the Fund's Board had decided "in principle" that the current Board should remain in post until 31 December, at the latest, if new Board members could not be elected.

425. The Co-Chairs agreed to report back to the Board after working with the Secretariat on the Board member's proposal and incorporating the amendments proposed by another Board member. The agenda item was suspended to allow consultations to take place.

426. The Co-Chairs reopened the item. The General Counsel read out the changes made to the document in which the Board affirmed that, if successors to the current Board members and alternate members or to active observers were not selected by 23 August 2015, the current Board members would remain in post in principle, but no later than 31 December 2015.

427. A Board member said he was reassured that this solution was legal and asked the Board to keep an institutional memory. Given that the Governing Instrument allowed Board members to serve a second term, he suggested changing the word "successor" to "new Board member", which sounded more proactive. The General Counsel said he was open to adopting the term "new Board member" and that one member had also mentioned the option of serving a second term.

428. A Board member requested clarification on whether the term would be shortened for the new member if the current seat continued until a new member was elected.

429. The General Counsel responded that the current conditions did not change the term and that there might be a need to discuss the matter. Remaining in office meant occupying the seat until the new Board member came into office, which meant that a new Board member would not be serving for a full three years.

430. Once the amendments had been incorporated into the draft decision, it was approved by the Board and the following decision was adopted:

*DECISION B.09/12*

*The Board, having taken note of the information presented in document GCF/B.09/20  
Initial Term of Board Membership:*

- (a) Takes note that the initial terms for members and alternate members of the Board expire on 23 August 2015;*
- (b) Affirms that the following principles should apply if successors to the current members and alternate members of the Board or to active observers, as the case may be, are not selected by 23 August 2015:*
  - (i) Members and alternate members of the Board whose terms expire on 23 August 2015 shall continue their functions until their successors have been selected;*
  - (ii) Members and alternate members of the Board serving in the capacity of members of the Accreditation Committee, the Risk Management Committee, the Investment Committee and the Private Sector Advisory Group whose terms expire in 2015 shall continue their functions until their successors have been selected;*
  - (iii) Representatives from the active observers from accredited civil society organizations and private sector organizations whose terms expire in 2015 shall continue their functions until their successors have been selected; and*
  - (iv) Successors are expected to be selected not later than 31 December 2015.*

- (c) *Requests the Secretariat to convey the principles set out in paragraph (b) above to all Parties to the United Nations Framework Convention on Climate Change;*
- (d) *Decides to consider further the principles set out in paragraph (b) above at its tenth meeting.*

## **Agenda item 28: Information note on the administrative guidelines on human resources**

431. This item was not considered by the Board

## **Agenda item 29: Date and venue of the tenth meeting of the Board**

432. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.09/21 *Date and Venue of the Tenth Meeting of the Board*, which included a draft decision on this matter. The Secretariat's proposal to hold the tenth meeting of the Board in Songdo from 6 to 9 July 2015 was accepted.

433. The Secretariat's proposal to hold the eleventh meeting of the Board from 27 to 29 October 2015 was also accepted, with the possibility of extending the meeting to four days to be discussed at the tenth meeting of the Board and the venue to be confirmed.

434. The Chief Financial Officer proposed that two out of three meetings per year be held in Songdo at the Fund's headquarters, for reasons related to:

- (a) Operational capacity;
- (b) Organizational logistics;
- (c) Investment in the infrastructure of the headquarters;
- (d) Practice of other international entities;
- (e) Privileges and immunities; and
- (f) Possibility of interaction between the entire Secretariat, Board members and alternate members, advisers and observers.

435. One Board member stated his preference to reserve that discussion for a later date as there were also counter-arguments to the proposed practice, including those related to raising the international profile of the Fund.

436. The decision was duly adopted.

### *DECISION B.09/13*

*The Board, having reviewed document GCF/B.09/21 Date and Venue of the Tenth Meeting of the Board:*

- (a) *Decides that its second meeting in 2015 will take place in Songdo, Republic of Korea, from 6 to 9 July 2015; and*
- (b) *Also decides that its third meeting in 2015 will take place from 27 to 29 October with dates and venue to be further confirmed.*

## Agenda item 30: Other matters

437. The Co-Chairs opened the agenda item and invited the General Counsel to address the Board.

438. The General Counsel introduced document GCF/B.09/22 *Establishment and Terms of Reference of the Appointment Committee*, which included a draft decision on this matter, circulated for a proposed decision between meetings. He emphasized the importance of the establishment and terms of reference of the Appointment Committee, in particular, the appointment of the heads of accountability units. He noted that an agreement on the decision could not be reached between meetings, and that as a result, it had been included in the agenda for the ninth meeting of the Board.

439. He outlined the new proposal to change the nature of the Appointment Committee from a standing to an ad-hoc committee, solely to search for and select the heads of units. He proposed that the Board consider the appointment of the standing Committee at the eleventh meeting of the Board, which would result in the dissolution of the ad-hoc Committee.

440. He proposed the election of the members of the ad-hoc Appointment Committee to be effected by the Board in a between meeting decision.

441. A Board member noted that he had asked the Secretariat for further clarity before being able to approve the decision, and that his concerns had been captured in a document entitled *Comments received on document B.BM-2015/02, "Establishment and Terms of Reference of the Appointment Committee"* circulated between meetings. He stated that he could agree to the draft decision as proposed, but expressed a wish to have his position reflected in the meeting report, in particular the following statement:

*"The Board member from the Dutch/Danish constituency stated an objection to the proposed decision on the Establishment of the Terms of Reference for the Appointment Committee recorded in Board document GCF/B.09/22. The Secretariat would suggest to have this addressed in the "Administrative Guidelines for Human Resources". This item is scheduled for Board decision during its eleventh meeting. The constituency counts on having the issue on the establishment of an oversight mechanism in relation to remuneration and benefits, and its implementation to be presented by the Secretariat to Board no later than its eleventh meeting."*

442. Another Board member acknowledged the need to set up the Appointment Committee as soon as possible, but questioned the relevance of paragraph (f) of the draft decision (contained in Annex I to document GCF/B.09/22), and suggested leaving out more complex matters from the decision for discussion at a later stage.

443. A Board member questioned why the matter had to be considered at the eleventh meeting of the Board, if paragraph (f) were to be left in and proposed considering the issue in the future at a time considered appropriate by the Secretariat in consultation with the Appointment Committee.

444. A Board member questioned the need to discuss the issue at the eleventh meeting of the Board if paragraph (f) were included as she did not want to load the agenda with items whose relevance was in question. She asked for the draft decision to be sent out in writing for comments to be provided over the next week, owing to time constraints at the present meeting.

445. The Co-Chairs clarified that paragraph (f) was more of a process issue to remind the Board to come back to the matter at the eleventh meeting.

446. The General Counsel explained that paragraph (f) was meant to protect the Board as a number of important roles of the Appointment Committee, including the performance review of the Executive Director, were not currently covered in Board policies. He noted that this decision

would provide a strong incentive to cover the issue at the eleventh meeting and address any gaps in policy.

447. He stressed that contributors had repeatedly raised concern on the lack of accountability units within the Fund. He emphasized the vital importance of having the heads of units in place, as soon as possible.

448. The Board approved the draft decision as proposed, including the aforementioned paragraph (f), and the following decision was adopted:

#### *DECISION B.09/14*

*The Board, having reviewed document B.BM-2015/02 Establishment and Terms of Reference of the Appointment Committee:*

- (a) Establishes the Appointment Committee as a committee of the Board in accordance with paragraphs 2 (g) and 30 of the Rules of Procedure of the Board;*
- (b) Adopts the terms of reference of the Appointment Committee, as set out in Annex XV to this document;*
- (c) Requests the Appointment Committee to present promptly upon its members being appointed, for consideration by the Board at its tenth meeting, the terms of reference for the Head of the Evaluation Unit, the Head of the Integrity Unit and the Head of the Redress Mechanism, the criteria for their selection, as well as details of the selection process to be conducted;*
- (d) Agrees that an open, merit-based selection process should begin no later than the second quarter of 2015;*
- (e) Requests the Secretariat to convene the first meeting of the Appointment Committee via videoconference, as soon as practicable after the appointment of its members; and*
- (f) Decides to take up at its eleventh meeting the establishment of a standing Board committee to assist the Board in the appointments, performance reviews, salary decisions and accountability of the Head of the Evaluation Unit, the Head of the Integrity Unit and the Head of the Redress Mechanism, as well as the Executive Director.*

### **Agenda item 31: Report of the meeting**

449. The decisions adopted during the ninth meeting of the Board were transmitted to the Board on 2 April 2015 in document GCF/B.09/23/Drf.01 and posted on the Fund's website on 16 April 2015 as document GCF/B.09/23 *Decisions of the Board – Ninth Meeting of the Board, 24 - 26 March 2015*.

### **Agenda item 32: Closure of the meeting**

450. In their closing remarks, the Co-Chairs noted that the ninth meeting had been the second historic meeting of the Board held in Songdo as a decision to accredit the Fund's first entities had been made; the first had been the seventh meeting, held in May 2014, where the eight essential requirements had been agreed.

451. The Co-Chairs brought the ninth meeting of the Board to a close.

## Annex I: Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund

### I. Scope, Purpose and Applicability

1. This policy on ethics and conflicts of interest for the Board of the Green Climate Fund sets out principles and ethical standards for the Board members, alternate members and advisers of the Green Climate Fund in connection with, or having a bearing upon, their status and responsibilities in the Fund. As Board members are entrusted with the responsibilities prescribed in, or pursuant to, the Governing Instrument for the Green Climate Fund, their personal and professional conduct, when performing their Board duties in the service of the Fund, must comply with the ethical standards and procedures set out herein in addition to any domestic legal requirements exclusively as they apply to this policy.
2. The Policy is in furtherance of the general principle set out in the Governing Instrument for the Green Climate Fund that the Fund shall operate in a transparent and accountable manner guided by efficiency and effectiveness.

### II. Definitions

3. For the purposes of the Policy, the following terms shall have the meaning set out below:
  - (a) **Adviser** means an expert providing advice to a member and alternate member of the Board, as notified to the Secretariat pursuant to paragraph 14 below;
  - (b) **Associated Institution** means:
    - (i) Any entity, agency, organization, corporation, administration or similar institution in which a Covered Individual is serving as an officer, director, Stakeholder, trustee, partner or employee or for which the Covered Individual is working as consultant, that receives or may receive directly or indirectly funding from the Fund or with which the Fund has, either directly or through an intermediary, an agreement, contract, grant, understanding, arrangement or relationship; or
    - (ii) Any entity, agency, organization, corporation, administration or similar institution with which a Covered Individual is applying for, or negotiating to have, an arrangement concerning employment or consultancy;
  - (c) **Board** means the Board of the Fund;
  - (d) **Board Member** refers to members of the Board, including the Co-Chairs, and alternate members of the Board;
  - (e) **Covered Individual** means a Board Member and Advisers;
  - (f) **Ethics and Audit Committee** means the committee of the Board established by decision B.05/13, paragraph (e);
  - (g) **Fund** means the Green Climate Fund;
  - (h) **Gift** means any gratuity, favour, discount, entertainment, hospitality, loan, forbearance, honorarium or other item having monetary value. These include services as well as gifts of training, transportation, local travel, lodgings and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred;

- (i) **Governing Instrument** means the Governing Instrument for the Green Climate Fund;
- (j) **Immediate Family Members** means a Covered Individual's spouse, partner under domestic legislation, child, mother, father, brother or sister and persons primarily dependent on such an individual for financial support;
- (k) **Integrity Unit** means the independent integrity unit referred to in paragraph 68 of the Governing Instrument;
- (l) **Policy** means this policy on ethics and conflicts of interest for the Board of the Green Climate Fund;
- (m) **Prohibited Practices** means any of the following practices:
  - (i) A "corrupt practice" is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another entity and/or individual;
  - (ii) A "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, an entity and/or individual to obtain a financial or other benefit, or to avoid an obligation;
  - (iii) A "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any entity and/or individual improperly or the property of that entity and/or individual to influence improperly the actions of an entity and/or individual;
  - (iv) A "collusive practice" is an arrangement between two or more entities and/or individuals designed to achieve an improper purpose, including to improperly influence the actions of another entity and/or individual;
  - (v) An "obstructive practice" includes deliberately destroying, falsifying, altering or concealing evidence material to an investigation; making false statements to investigators in order to materially impede an investigation; threatening, harassing or intimidating any entity and/or individual to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or materially impeding the Fund's rights of audit or access to information; and
  - (vi) "Harassment" means unwelcome verbal or physical behaviour that unreasonably interferes with work or creates an intimidating, hostile or offensive work environment.
- (n) **Secretary to the Board** means the staff member of the Secretariat of the Fund serving as secretary to the Board;
- (o) **Staff** means all staff of the Secretariat of the Fund, including the Executive Director, as described in paragraphs 20 and 21 of the Governing Instrument; and
- (p) **Stakeholder** means a person having a proprietary or economic interest in an entity.

### III. Basic standard of conduct

4. Board members and other Covered Individuals shall carry out their responsibilities as prescribed in the Governing Instrument, the Rules of Procedure of the Board and related documents of the Fund, to the best of their ability and judgment and shall maintain the highest standards of integrity and ethics in their personal and professional conduct, and observe principles of good governance.

5. In order to reflect the importance of the Policy and the obligations contained in it, members and alternate members of the Board, and their Advisers shall, upon their appointment and at the start of each new term of office, read and sign the Declaration of Impartiality and Confidentiality, a template of which is contained in Appendix I to the Policy, to be deposited with the Secretary to the Board.
6. Covered Individuals shall observe the laws of each jurisdiction in which they are present pursuant to their official duties and responsibilities, associated with the Fund, so as not to be perceived as abusing the privileges and immunities conferred upon the Fund and upon them. This provision does not abrogate or waive any privileges and immunities which they may enjoy.
7. Covered Individuals shall, in their interactions with others, act with tolerance, sensitivity and respect for cultural differences. Any form of discrimination based on any ground, such as gender, race, colour, national, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be against the Policy.
8. Covered Individuals shall abide by the following standards of conduct:
  - (a) Covered Individuals must not act in any manner that will undermine public confidence and trust in the Fund's governance. In particular, Covered Individuals will refrain from engaging in Prohibited Practices;
  - (b) Covered Individuals must not encourage anyone to take any actions listed under paragraph (a) above; and
  - (c) Covered Individuals must disassociate from, and report to the Ethics and Audit Committee, any suspected misconduct by Covered Individuals, including those actions listed under paragraph 8 (a) above, when it comes to their attention, in accordance with the procedure set out in section IV below, and to refrain from retaliation against an individual who provides information in good faith about suspected misconduct.

#### **IV. Non-compliance with the Policy**

9. Alleged breaches of a provision of the Policy by a member of the Board, other Covered Individuals or their Immediate Family Members, shall be referred by the Integrity Unit, by another official of the Fund or by any individual or entity to the Ethics and Audit Committee pursuant to the procedure set out in Appendix II to the Policy. If the subject of the allegation involves a member of the Ethics and Audit Committee, then such member shall recuse him/herself from the deliberations of the Ethics and Audit Committee. If it involves the Chair of the Ethics and Audit Committee, the other members shall elect another chair to facilitate the deliberations.
10. The Ethics and Audit Committee may take, as appropriate, the following action upon formally establishing, after due enquiry, the breach of a provision of the Policy:
  - (a) Formal warning to the Covered Individual concerned;
  - (b) An instruction to the Covered Individual concerned to remedy the breach; and/or
  - (c) A recommendation to the Board to address the breach, in which case all relevant information will be provided to the Board.

In addition, the Ethics and Audit Committee may consider reporting the breach to the chair of the constituency or regional group to which the Covered Individual belongs and/or to the government that selected the Covered Individual or, in case of an Adviser, to the chair of the constituency or regional group that selected the Covered Individual to whom the Adviser is providing advice.

11. A recommendation by the Ethics and Audit Committee to the Board as referred to in paragraph 10 (c) above may include, but is not limited to, a recommendation to reverse an accreditation or funding decision or to express formal disapproval of the breach by the member of the Board. If the subject of the allegation involves a member of the Board, then such member shall recuse him/herself from the deliberations of the Board. If it involves a Co-Chair, the Board shall elect another member of the Board to assume the functions of Co-Chair in accordance with the Rules of Procedure of the Board.
12. A Covered Individual against whom action has been taken by the Ethics and Audit Committee pursuant to paragraph 10 (a) and (b) above may appeal that action to the Board.
13. The procedures for handling allegations of a breach of the Policy may be amended by the Board, upon recommendation of the Ethics and Audit Committee.

## **V. Advisers**

14. Members of the Board shall provide the Secretary to the Board with the names of their Advisers, as well as with any changes, which shall be published on the Fund's website.
15. Promptly thereupon, the Adviser shall provide the Secretary to the Board with a duly executed Declaration of Impartiality and Confidentiality, a template of which is contained in Appendix I to the Policy.

## **VI. Conflicts of interest**

16. A conflict of interest arises when a Covered Individual has an interest, which may include but is not limited to a financial interest that could, or reasonably could be deemed to, improperly influence the performance of his or her official duties or responsibilities as member of the Board or Adviser, as the case may be.
17. In general, and without limitation, conflicts of interest may be deemed to exist in the following situations:
  - (a) Where a Covered Individual's interests, or the interests of an Immediate Family Member or Associated Institution (subject to the limitation referred to in paragraph 20 below) could affect the conduct of his or her duties and responsibilities with respect to the Fund or result in a reasonable perception that a conflict of interest exists; and
  - (b) Where the Covered Individual's actions create the perception that the Covered Individual is using his or her position at the Fund for the benefit of an Immediate Family Member or an Associated Institution (subject to the limitation referred to in paragraph 20 below).
18. If an appearance of a conflict of interest arises, or if there is doubt whether a conflict, actual, apparent or perceived, exists, the Covered Individual concerned shall promptly refer the matter in writing to the Chair of the Ethics and Audit Committee for guidance.
19. In order to avoid conflicts of interest and to strengthen the proper, transparent and independent governance of the Fund and its governing bodies, Covered Individuals shall submit to the Ethics and Audit Committee a list of their functions and roles outside the Fund that would have relevance or potential relevance to the business of the Fund and shall update such a list if and when required to reflect amendments. The Ethics and Audit Committee shall not make this list publicly available, unless it needs to disclose it to the full Board, the Executive Director and relevant government with regard to a specific case in the context of procedures when a conflict of interest arises.

20. It is acknowledged that members of the Board and other Covered Individuals may be serving a government which in itself does not constitute a conflict of interest as meant in the Policy, provided that the relationship with the relevant government is disclosed in accordance with paragraph 19 above.

## **VII. Procedure when a conflict of interest arises**

21. All actual or potential conflicts of interest or the reasonable appearance thereof shall be immediately disclosed in writing to the Ethics and Audit Committee. In addition, others, such as the Integrity Unit, may bring an actual or potential conflict of interest of a Covered Individual to the attention of the Ethics and Audit Committee.

22. The Ethics and Audit Committee shall promptly review these disclosures or any alleged conflicts of interest communicated to it and determine whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which such a Covered Individual may participate in any discussion of the issue that has given rise to the conflict. The Ethics and Audit Committee may also bring any conflicts of interest issue to the entire Board (excluding the individual or individuals with potential conflicts) for further consideration and decision.

23. When it is determined by the Ethics and Audit Committee that an actual or potential conflict of interest exists, the Covered Individual shall not participate in the matter that has given rise to the conflict absent a waiver from the Ethics and Audit Committee or, if the matter has been referred to the Board, from the Board. With respect to the Board, this means that the Covered Individual shall not vote or speak on the matter, and shall recuse him/herself without comment before consideration of the matter, unless a waiver has been granted by the Ethics and Audit Committee or, if the matter has been referred to the Board, by the Board. The waiver may be designed to allow for any level of participation that the Ethics and Audit Committee or, if the matter has been referred to the Board, the Board deems appropriate.

24. If the determination affects a Covered Individual, such an individual may appeal the determination by the Ethics and Audit Committee to the Board.

## **VIII. Future employment**

25. When negotiating for, or entering into an arrangement concerning, prospective employment outside the Fund for themselves or for Immediate Family Members, Covered Individuals shall not allow such circumstances to influence the performance of their duties. Covered Individuals shall not apply for or accept any employment, including as a consultant, by an implementing entity or intermediary applying, or reasonably likely to apply, for accreditation with the Fund unless disclosed to the Ethics and Audit Committee. The Ethics and Audit Committee will assess whether an actual or potential conflict of interest exists in these circumstances and, if so, decide on the remedy to address such conflict.

## **IX. Transparency and disclosure of information**

26. Covered Individuals explicitly acknowledge that they may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that at all times they shall respect the confidentiality of such information and shall not use such information for the purpose of furthering their personal interest or the personal interest of any other person or entity for whom or which such information is not intended. They shall comply with the information disclosure policies of the Fund. However, Covered Individuals may provide confidential information of the Fund that they

receive to the governments of the countries in their respective constituencies in the course of their official duties for their respective home country. The provisions of this paragraph shall continue to apply to Covered Individuals after their service as a Covered Individual has ended.

27. Covered Individuals shall consult the Ethics and Audit Committee if they have doubts as to whether certain information is deemed confidential. The determination of the Ethics and Audit Committee is final.

28. If a Covered Individual believes that confidential information may have been improperly disclosed, he/she shall promptly inform the Ethics and Audit Committee, which shall promptly advise the Executive Director.<sup>1</sup>

## **X. Gifts and entertainment**

29. All Covered Individuals and their Immediate Family Members are prohibited from accepting gifts under circumstances where it could reasonably be construed that the gift is motivated by the position of the Covered Individual in relation to the Fund and interests that could be substantially affected by the Fund, except when such gifts are allowable under the provisions referred to in paragraph 32 below.

30. All Covered Individuals and their Immediate Family Members are prohibited from giving gifts where it could reasonably be construed that the gift is intended to affect the policies or practices of the Fund or any of the programmes it funds.

31. A Covered Individual may accept unsolicited gifts on behalf of the Fund when refusal to do so would embarrass the gift provider or the Fund or otherwise not be in the interest of the Fund, such as when a refusal to accept would be considered impolite. Except when impractical (such as in the case of meals), gifts accepted on behalf of the Fund will be turned over to the Secretariat and handled under procedures as defined in the Fund's corporate procurement policy.

32. A Covered Individual may accept unsolicited gifts from one source or provide gifts to one person or entity if the gifts have an aggregate value of US\$ 50 or less, provided that the aggregate value of individual gifts received from or provided to any one person does not exceed US\$ 100 in a calendar year. All such gifts should be reported to the Ethics and Audit Committee.

## **XI. Employment by the Secretariat**

33. Any Covered Individual and Immediate Family Member shall not be eligible for employment by the Secretariat, including as a consultant, until one and a half years following the last date of service of the Covered Individual in the relevant position. The Board may waive this provision upon recommendation from the Ethics and Audit Committee. A request for such a waiver must be submitted by the individual concerned to the Ethics and Audit Committee before he/she applies for employment by the Secretariat. The Secretariat shall not take action on or accept an application for employment from such an individual unless a waiver has been granted by the Board.

## **XII. Involvement in procurement and human resources matters**

34. Covered Individuals shall not attempt to exert any undue influence with respect to the appointment, compensation and termination of individual employees of the Fund or persons

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<sup>1</sup> The Executive Director is to be informed promptly in order to manage any potential liability towards third parties to whom the Fund has confidentiality obligations, for example under a non-disclosure agreement.

associated with the Fund, including consultants. This provision should not be construed to prevent a member of the Board from endorsing an appointment.

35. Covered Individuals shall not attempt to exert any undue influence with respect to:
- (a) The investigation and resolution of any dispute or allegations dealt with in accordance with the applicable policies and procedures of the Fund, including matters that may arise from a procurement or human resources involving the Fund; and
  - (b) Staff of the Secretariat performing their duties, in particular in relation to procurement decisions and awarding contracts, human resources decisions, the proposal approval process and the accreditation process.
36. The provision contained in paragraph 34 above does not affect the mandate of the Board in respect of the appointment of the Executive Director, the head of the Evaluation Unit referred to in paragraph 60 of the Governing Instrument and the heads of all accountability units.

### **XIII. Review and amendment**

37. The Board and the Ethics and Audit Committee shall keep the Policy under regular review and amend the Policy, as necessary, to ensure that the highest ethical standards are applied to the members of the Board and other Covered Individuals.

### **XIV. Effective date**

38. The Policy shall come into effect upon adoption by the Board, and shall remain in effect until amended or superseded by the Board.
39. Covered Individuals already in office at the time the Policy comes into effect shall submit the signed Declaration of Impartiality and Confidentiality promptly upon the effective date of the Policy in accordance with paragraph 5 or 15 above as the case may be.
40. Amendments to the Policy and any amendments thereto shall come into effect in accordance with paragraph 38 above.

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## **Appendix I: The Declaration of Impartiality and Confidentiality of members and alternate members of the Board of the Green Climate Fund and Advisers**

I solemnly declare that I will perform my duties and responsibilities as a Member or Alternate Member of the Board of the Green Climate Fund/an Adviser honourably, faithfully and conscientiously.

I solemnly declare and promise that I shall have no personal financial interest in any matters with which I am involved in performing my duties on the Board of or for the Green Climate Fund.

I solemnly declare that I accept and will be bound by the policy on ethics and conflicts of interest for the Board of the Green Climate Fund.

I explicitly acknowledge that I may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that at all times I shall respect the confidentiality of such information and shall not use such information for the purpose of furthering my personal interest or the personal interest of any other person or entity for whom or which such information is not intended. I shall comply with the information disclosure policies of the Fund. However, I may provide confidential information of the Fund that I receive to the government of my home country in the course of my official duties for my home country. The provisions of this paragraph shall continue to apply after my service as a Member or Alternate Member of the Board of the Green Climate Fund/an Adviser has ended.

I shall disclose to the Ethics and Audit Committee any interest in any matter under consideration by the Board which may constitute a conflict or potential conflict of interest or which might be incompatible with the requirements of integrity and transparency in my functions as a Member or Alternate Member of the Board of the Green Climate Fund/Adviser and I shall refrain from participating in the work of the Board in relation to such a matter, unless a waiver has been granted by the Ethics and Audit Committee or the Board, as the case may be.

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Name of Member/Alternate Member/Adviser/

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Signature

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Date

## Appendix II: Procedures for handling allegations of misconduct

1. Allegations of misconduct and/or breach of the policy on ethics and conflict of interest for the Board of the Green Climate Fund (the Policy) made by the Integrity Unit after due investigation, or by another official of the Fund, or by any individual or entity against a member of the Board, other Covered Individuals, or their Immediate Family Members, shall be submitted in writing and in confidence to the Chair of the Ethics and Audit Committee who shall bring any such allegation to the attention of the Ethics and Audit Committee for its consideration in accordance with the procedures to be determined for such a case. If the subject of the allegation involves a member of the Ethics and Audit Committee, then such a member shall recuse him/herself from the deliberations of the Ethics and Audit Committee. If it involves the Chair of the Ethics and Audit Committee, the other members shall elect another chair to facilitate the deliberations.
2. The Covered Individual concerned shall not be presumed to have engaged in the alleged misconduct until such time as the Ethics and Audit Committee determines that there is sufficient evidence to establish on a balance of probabilities that the alleged misconduct did occur.
3. As soon as is practicable, the Ethics and Audit Committee shall review the allegations and determine whether they are credible and whether they are appropriate for taking action by the Ethics and Audit Committee. The Integrity Unit shall be available to assist the Ethics and Audit Committee with this review, if so requested. If the allegations do not appear credible, the Ethics and Audit Committee may decide to take no further action. If the allegations appear credible and appropriate for taking action by the Ethics and Audit Committee, it shall take such action promptly.
4. As soon as is practicable, upon formally establishing, after due enquiry, the breach of a provision of the Policy, the Ethics and Audit Committee may take, as appropriate, the following action:
  - (a) A formal warning to the Covered Individual concerned;
  - (b) An instruction to the Covered Individual concerned to remedy the breach; and/or
  - (c) A recommendation to the Board to address the breach, in which case all relevant information will be provided to the Board. In addition, the Ethics and Audit Committee may consider reporting the breach to the chair of the constituency or regional group to which the Covered Individual belongs and/or to the government that selected the Covered Individual or, in case of an Adviser, to the chair of the constituency or regional group that selected the Covered Individual to whom the Adviser is providing advice.
5. A recommendation by the Ethics and Audit Committee to the Board may include, but is not limited to, a recommendation to reverse an accreditation or funding decision or to censure a member of the Board. If the subject of the allegation involves a member of the Board, including a Co-Chair, then such a member shall recuse him/herself from the deliberations of the Board. If it involves a Co-Chair, the Board shall elect another member of the Board to assume the functions of Co-Chair in accordance with the Rules of Procedure of the Board. The Board shall take a final decision based on the findings and recommendations of the Ethics and Audit Committee and, if applicable, the Integrity Unit. It may also seek the advice of the General Counsel.
6. Each Covered Individual, if alleged to have committed misconduct, shall be provided with timely notice of the allegations, all relevant documentation and the opportunity to present his or her views regarding the allegations to the Ethics and Audit Committee before it makes its determination, and to the Board before it takes any decisions, as set out in these procedures.

7. In exceptional cases, the Ethics and Audit Committee may permit the individual who is alleged to have committed misconduct to be accompanied by an advisor from within or outside of the Fund.
8. A Covered Individual may appeal to the Board against any action taken by the Ethics and Audit Committee against him/her.
9. If the Ethics and Audit Committee, in the course of its work, uncovers potential misconduct by a staff member of the Fund, or potential fraud or corruption by a contractor or consultant in a project financed or executed by the Fund, it shall refer the matter to the Fund's Integrity Unit.
10. Any staff member who makes frivolous or knowingly false allegations against a Covered Individual shall be subject to disciplinary procedures in accordance with the Fund's guidelines on human resources. Frivolous or knowingly false allegations made by a Covered Individual shall be considered a violation of the Policy and will be subject to the procedures of this Policy.

## Annex II: Financial terms and conditions of grants and concessional loans

The Fund's financial terms and conditions of grants and concessional loans are outlined in the tables 1 and 2.

**Table 1: Terms and conditions of outgoing grants**

	Currency	Interest rate	Maturity	Grace period
Grants	Major convertible currency	Grants without repayment contingency: no reimbursement required <sup>1</sup> Grants with repayment contingency: terms adapted to the required concessionality of the project or programme		

**Table 2: Terms and conditions of outgoing concessional loans to the public sector**

	Currency	Maturity (years)	Grace period (years)	Annual principal repayment years 11-20/6-20 (% of initial principal)	Annual principal repayment years 21-40 (% of initial principal)	Interest	Service fee (per annum)	Commitment fee (per annum)
High concessionality	Major convertible currency	40	10	2%	4%	0.00%	0.25%	Up to 0.50%
Low concessionality	Major convertible currency	20	5	6.7%	NA	0.75%	0.50%	Up to 0.75%

<sup>1</sup> All grants will be subject to an obligation for repayment if the recipient is found to be in material breach of its contractual obligations towards the Fund or involved in a material violation of the Fund's integrity or fiduciary standards, including those on corruption and fraud.

### Annex III: Initial investment framework: activity-specific sub-criteria and indicative assessment factors

The Accredited Entity will develop its funding proposal with due consideration of the investment criteria and the applicable and relevant activity-specific sub-criteria and indicative assessment factors. In the formulation of the proposal, the Accredited Entity is expected to respond to all six of the investment criteria but only the applicable and relevant sub-criteria and indicative assessment factors. Not all activity-specific sub-criteria and indicative assessment factors will be applicable or relevant for every proposal.

**Table 1: Activity-specific sub-criteria and indicative assessment factors**

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) <sup>1</sup>
<b>Impact potential</b>	Potential of the programme/project to contribute to the achievement of the Fund’s objectives and result areas	Mitigation impact	Contribution to the shift to low-emission sustainable development pathways	<p>Expected tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq) to be reduced or avoided (PMF-M Core 1)<sup>2</sup></p> <p>Degree to which activity avoids lock-in of long-lived, high-emission infrastructure</p> <p>Expected increase in the number of households with access to low-emission energy</p> <p>Degree to which the programme/project supports the scaling up of low-emission energy in the affected region by addressing key barriers</p> <p>Expected number of MW of low-emission energy capacity installed, generated and/or rehabilitated</p> <p>Expected increase in the number of small, medium and large low-emission power suppliers (PMF-M 6.0 and related indicator(s)), and installed effective capacity</p> <p>Expected decrease in energy intensity of buildings, cities, industries and appliances (PMF-M 7.0 and related indicator(s))</p> <p>Expected increase in the use of low-carbon transport (PMF-M 8.0 and related indicator(s))</p>

<sup>1</sup> Indicative assessment factors include both quantitative indicators and qualitative factors.

<sup>2</sup> PMF-M Core 1 refers to a linkage with the first core indicator in the mitigation performance measurement framework, as contained in document GCF/B.08/07. PMF-A 5.0 refers to a linkage with the indicator 5.0 in the adaptation performance measurement framework and so on.

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) <sup>1</sup>
				<p>Expected improvement in the management of land or forest areas contributing to emission reductions (PMF-M 9.0 and related indicator(s))</p> <p>Expected improvement in waste management contributing to emission reductions (e.g. the change in the share of waste managed using low-carbon strategies and/or the change in the share of waste that is recovered through recycling and composting); and/or</p> <p>Other relevant indicative assessment factors, taking into account the Fund's objectives, priorities and result areas, as appropriate on a case-by-case basis</p>
		Adaptation impact	Contribution to increased climate-resilient sustainable development	<p>Expected total number of direct and indirect beneficiaries, (reduced vulnerability or increased resilience); number of beneficiaries relative to total population (PMF-A Core 1), particularly the most vulnerable groups</p> <p>Degree to which the activity avoids lock-in of long-lived, climate-vulnerable infrastructure</p> <p>Expected reduction in vulnerability by enhancing adaptive capacity and resilience for populations affected by the proposed activity, focusing particularly on the most vulnerable population groups and applying a gender-sensitive approach</p> <p>Expected strengthening of institutional and regulatory systems for climate-responsive planning and development (PMF-A 5.0 and related indicator(s))</p> <p>Expected increase in generation and use of climate information in decision-making (PMF-A 6.0 and related indicator(s))</p> <p>Expected strengthening of adaptive capacity and reduced exposure to climate risks (PMF-A 7.0 and related indicator(s))</p> <p>Expected strengthening of awareness of climate threats and risk-reduction processes (PMF-A 8.0 and related indicator(s)); and/or</p> <p>Other relevant indicative assessment factors, taking into account the Fund's objectives, priorities and result areas, as appropriate on a case-by-case basis</p>

<b>Criterion</b>	<b>Definition</b>	<b>Coverage area</b>	<b>Activity-specific sub-criteria</b>	<b>Indicative assessment factors (including indicators)<sup>1</sup></b>
<b>Paradigm shift potential</b>	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius (mitigation only)	Innovation	Opportunities for targeting innovative solutions, new market segments, developing or adopting new technologies, business models, modal shifts and/or processes
			Level of contributions to global low-carbon development pathways, consistent with a temperature increase of less than 2 degrees Celsius	Expected contributions to global low-carbon development pathways consistent with a temperature increase of less than 2 degrees Celsius as demonstrated through:
			Potential for expanding the scale and impact of the proposed programme or project (scalability)	A theory of change for scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation
		Potential for exporting key structural elements of the proposed programme or project elsewhere within the same sector as well as to other sectors, regions or countries (replicability)	A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries	
		Potential for knowledge and learning	Contribution to the creation or strengthening of knowledge, collective learning processes, or institutions	Existence of a monitoring and evaluation plan and a plan for sharing lessons learned so that they can be incorporated within other projects
		Contribution to the creation of an enabling environment	Sustainability of outcomes and results beyond completion of the intervention  Market development and transformation	Arrangements that provide for long-term and financially sustainable continuation of relevant outcomes and key relevant activities derived from the project/programme beyond the completion of the intervention  Extent to which the project/programme creates new markets and business activities at the local, national or international levels

<b>Criterion</b>	<b>Definition</b>	<b>Coverage area</b>	<b>Activity-specific sub-criteria</b>	<b>Indicative assessment factors (including indicators)<sup>1</sup></b>
				<p>Degree to which the activity will change incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-carbon and climate-resilient solutions</p> <p>Degree to which the proposed activities help to overcome systematic barriers to low-carbon development to catalyse impact beyond the scope of the project or programme</p>
		Contribution to the regulatory framework and policies	Potential for strengthened regulatory frameworks and policies to drive investment in low-emission technologies and activities, promote development of additional low-emission policies, and/or improve climate-responsive planning and development	<p>Degree to which the project or programme advances the national/local regulatory or legal frameworks to systemically promote investment in low-emission or climate-resilient development</p> <p>Degree to which the activity shifts incentives in favour of low-carbon and/or climate-resilient development or promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes at national, regional and local levels, including private-sector decision-making</p>
		Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans (adaptation only)	<p>Potential for expanding the proposal's impact without equally increasing its cost base (scalability)</p> <p>Potential for exporting key structural elements of the proposal to other sectors, regions or countries (replicability)</p>	<p>Scaling up the scope and impact of the intended project/programme without equally increasing the total costs of implementation</p> <p>A theory of change for replication of the proposed activities in the project/programme in other sectors, institutions, geographical areas or regions, communities or countries</p> <p>Degree to which the programme or project reduces proposed risks of investment in technologies and strategies that promote climate resilience in developing countries</p>
<b>Sustainable development potential</b>	Wider benefits and priorities	Environmental co-benefits	Expected positive environmental impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Degree to which the project or programme promotes positive environmental externalities such as air quality, soil quality, conservation, biodiversity, etc.

Criterion	Definition	Coverage area	Activity-specific sub-criteria	Indicative assessment factors (including indicators) <sup>1</sup>
		Social co-benefits	Expected positive social and health impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral levels, as appropriate	Potential for externalities in the form of expected improvements, for women and men as relevant, in areas such as health and safety, access to education, improved regulation and/or cultural preservation
		Economic co-benefits	Expected positive economic impacts, including in other result areas of the Fund, and/or in line with the priorities set at the national, local or sectoral level, as appropriate	Potential for externalities in the form of expected improvements in areas such as expanded and enhanced job markets, job creation and poverty alleviation for women and men, increased and/or expanded involvement of local industries; increased collaboration between industry and academia; growth of private funds attracted; contribution to an increase in productivity and competitive capacity; improved sector income-generating capacity; contribution to an increase in energy security; change in water supply and agricultural productivity in targeted areas, etc.
		Gender-sensitive development impact	Potential for reduced gender inequalities in climate change impacts and/or equal participation by gender groups in contributing to expected outcomes	Explanation of how the project activities will address the needs of women and men in order to correct prevailing inequalities in climate change vulnerability and risks
<b>Needs of the recipient</b>	Vulnerability and financing needs of the beneficiary country and population	Vulnerability of the country (adaptation only)	Scale and intensity of exposure of people, and/or social or economic assets or capital, to risks derived from climate change	Intensity of exposure to climate risks and the degree of vulnerability, including exposure to slow onset events  Size of population and/or social or economic assets or capital of the country exposed to climate change risks and impacts
		Vulnerable groups and gender aspects (adaptation only)	Comparably high vulnerability of the beneficiary groups	Proposed project/programme supports groups that are identified as particularly vulnerable in national climate or development strategies, with relevant sex disaggregation
		Economic and social development level of the country and the affected population	Level of social and economic development of the country and target population	Level of social and economic development (including income level) of the country and target population (e.g. minorities, disabled, elderly, children, female heads of households, indigenous peoples, etc.)

<b>Criterion</b>	<b>Definition</b>	<b>Coverage area</b>	<b>Activity-specific sub-criteria</b>	<b>Indicative assessment factors (including indicators)<sup>1</sup></b>
		Absence of alternative sources of financing	Opportunities for the Fund to overcome specific barriers to financing	Explanation of the existing barriers that create absence of alternative sources of financing and how they will be addressed
		Need for strengthening institutions and implementation capacity	Opportunities to strengthen institutional and implementation capacity in relevant institutions in the context of the proposal	Potential of the proposed programme or project to strengthen institutional and implementation capacity
<b>Country ownership</b>	Beneficiary country ownership of, and capacity to implement, a funded project or programme (policies, climate strategies and institutions)	Existence of a national climate strategy	Objectives are in line with priorities in the country's national climate strategy	Programme or project contributes to country's priorities for low-emission and climate-resilient development as identified in national climate strategies or plans, such as nationally appropriate mitigation actions (NAMAs), national adaptation plans (NAPs) or equivalent, and demonstrates alignment with technology needs assessments (TNAs), as appropriate
		Coherence with existing policies	Proposed activity is designed in cognizance of other country policies	
		Capacity of accredited entities or executing entities to deliver	Experience and track record of the Accredited Entity or executing entities in key elements of the proposed activity	Proponent demonstrates a consistent track record and relevant experience and expertise in similar or relevant circumstances as described in the proposed project/programme (e.g. sector, type of intervention, technology, etc.)
		Engagement with civil society organizations and other relevant stakeholders	Stakeholder consultations and engagement	Proposal has been developed in consultation with civil society groups and other relevant stakeholders, with particular attention being paid to gender equality, and provides a specific mechanism for their future engagement in accordance with the Fund's environmental and social safeguards and stakeholder consultation guidelines. The proposal places decision-making responsibility with in-country institutions and uses domestic systems to ensure accountability
<b>Efficiency and effectiveness</b>	Economic and, if appropriate, financial soundness	Cost-effectiveness and efficiency regarding financial	Financial adequacy and appropriateness of concessionality	Proposed financial structure (funding amount, financial instrument, tenor and term) is adequate and reasonable in order to achieve the proposal's objectives, including addressing existing bottlenecks and/or barriers

<b>Criterion</b>	<b>Definition</b>	<b>Coverage area</b>	<b>Activity-specific sub-criteria</b>	<b>Indicative assessment factors (including indicators)<sup>1</sup></b>
	of the programme/project	and non-financial aspects	Cost-effectiveness (mitigation only)	<p>Demonstration that the proposed financial structure provides the least concessionality needed to make the proposal viable</p> <p>Demonstration that the Fund's support for the programme/project will not crowd out private and other public investment</p> <p>Estimated cost per t CO<sub>2</sub> eq (PMF-M Core 2) as defined as total investment cost/expected lifetime emission reductions, and relative to comparable opportunities</p>
		Amount of co-financing	Potential to catalyse and/or leverage investment (mitigation only)	<p>Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources (PMF-M Core 3)</p> <p>Co-financing ratio (total amount of co-financing divided by the Fund's investment in the project/programme)</p> <p>Potential to catalyse private- and public-sector investment, assessed in the context of performance on industry best practices</p> <p>Expected indirect/long-term low-emission investment mobilized as a result of the implementation of activity</p>
		Programme/project financial viability and other financial indicators	<p>Expected economic and financial internal rate of return</p> <p>Financial viability in the long run</p>	<p>Economic and financial rate of return with and without the Fund's support (i.e. hurdle rate of return or other appropriate/relevant thresholds)</p> <p>Description of financial soundness in the long term (beyond the Fund's intervention)</p>
		Industry best practices	Application of best practices and degree of innovation	<p>Explanations of how best available technologies and/or best practices, including those of indigenous peoples and local communities, are considered and applied</p> <p>If applicable, the proposal specifies the innovations or modifications/adjustments made based on industry best practices</p>

## Annex IV: Accreditation assessment of Applicant 001 (APL001)

### I. Introduction

1. Applicant 001 (APL001) is a national entity located in a least developed country (LDC) in Africa whose core activities include environmental monitoring, natural resources management and conducting environmental impact assessments. It has built partnerships at the local (subnational) and national levels, as well as with international donors, in order to develop climate change projects and programmes, particularly in the areas of environment, agriculture and livestock. One of its key activities has been improving the access of vulnerable populations and local stakeholders to information required in order to strengthen their resilience to and to build capacity to adapt to climate change variability and impacts, such as droughts and desertification. Other activities include conducting economic analyses for areas that are particularly vulnerable to climate change and natural risks, thereby allowing for better adaptation project selection. The applicant indicates that accreditation to the Green Climate Fund (the Fund) is an opportunity for it to continue developing and delivering climate change adaptation projects and programmes at the national and subnational levels, and in the process build its capacity as an organization to serve more regions.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 3 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** Direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standard; and
  - (ii) Specialized fiduciary standard for project management;
- (e) **Environmental and social (E&S) risk category:** Minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

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<sup>1</sup> As per Annex I to decision B.08/03, "micro" is defined as: "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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category C is defined as as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and Intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

4. The applicant has recently begun to formulate and implement adaptation projects, such as disaster risk reduction and flood protection, which may involve E&S risks to varying degrees and impacts of various forms.

5. In the implementation of these projects the applicant has demonstrated a substantial degree of competency and capacity to address the accreditation requirements of the Fund.

## 2.1 Fiduciary standards

### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

6. As APL001 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

### 2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

7. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

8. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

9. Regarding Item 4.2.4, the applicant in its application listed various methods by which the public can report cases of alleged/suspected fraud, corruption or other forms of misconduct for investigation on its website, thereby demonstrating a degree of compliance with the Standard. There have been no cases of an investigative nature reported over the past three years.

10. In order to ensure that the applicant meets the basic fiduciary standard concerning transparency and accountability fully, publication in a suitable form and location of a general-purpose “investigations guide” for the reporting and investigation of alleged or suspected fraudulent and corrupt practices, should be set as a condition to be undertaken by the applicant.

### 2.1.3 Section 5.1: Specialized fiduciary standard for project management

11. As APL001 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation.

12. It should be noted that the applicant in its application has, through its experience in managing a grant-funded project under the Adaptation Fund, established an initial track record and demonstrated the capacity to manage activities at a scale within the Fund’s micro size category.

2.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

13. The applicant did not apply for assessment against this standard at this time.

2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

14. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

15. The applicant specializes in the production and dissemination of data and information on the environment and natural resources, which is obtained through monitoring. In addition, it carries out or supports environmental and social impact assessments, disaster management, early warning systems and capacity-building. These types of activities result typically in minimal or no adverse environmental and/or social impacts. In terms of track record, it is noted that the applicant has recently begun to formulate and implement adaptation projects at a scale within the Fund's micro size, which could be qualified as Category B (medium environmental and/or social risks and impacts).

16. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category C/Intermediation 3 (I-3)), which by definition, contain minimal to no environmental and/or social risks or impacts. The environmental and social management system (ESMS) required for Category C/I-3 is modest and simple, and will not need all of the ESMS elements required for higher risk categories. The required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

### 2.2.1 Section 6.1: Policy

17. Commensurate with the fit-for-purpose accreditation approach and the nature of Category C/I-3 as being minimal to no environmental and social risk, an E&S policy within an institutional ESMS is not required for the Category C/I-3 level of risk. However, the applicant has an E&S policy that includes:

- (a) Principles, objectives and standards to be implemented at the institutional level, as well as at the project/programme level;
- (b) The identification of the responsible person(s) for implementing the policy; and
- (c) An overview of the E&S management system processes.

18. Moreover, for projects and programmes funded by the Fund, the applicant has provided a written commitment to abide by the Fund's interim environmental and social safeguards (ESS) in their entirety in so far as it relates to the level of E&S risk for which they are applying.

### 2.2.2 Section 6.2: Identification of risks and impacts

19. The applicant has demonstrated practical experience in screening and assessing risks and impacts, and has the technical skills and competency to do this. The E&S policy includes the requirement to first screen activities in order to determine if they have the potential to result in risks or impacts and if so, to conduct an environmental and social impact assessment. The policy is being further elaborated by the development of a detailed risks and impacts screening/identification procedure. As required by the Fund's interim ESS for Category C/I-3, this procedure should include guidance to staff on how the results of the screening translate into categorizing projects/programmes consistent with the Fund's E&S risk categories.

### 2.2.3 Section 6.3: Management programme

20. The applicant's E&S policy includes a process for managing risks and impacts that are identified during the risks and impacts assessment process. In addition, the procedure on project management includes steps for managing E&S risks and impacts, developing monitoring indicators and then monitoring the results.

21. This demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for the level of E&S risk in accordance with Category C/I-3 that the applicant is seeking accreditation against.

### 2.2.4 Section 6.4: Organizational capacity and competency

22. The applicant has staff with technical competency in a variety of E&S areas. In addition, it has access to a pool of associate experts, which can be called upon as needed.

### 2.2.5 Section 6.5: Monitoring and review

23. In November 2014, the applicant developed a monitoring and evaluation guide, which codifies existing practice and is linked to its project management procedure.

### 2.2.6 Section 6.6: External communications

24. A transparency policy dated November 2014 is available on the applicant's website.

## 2.3 Gender

25. The applicant's E&S policy acknowledges gender equality as an overarching objective of the organization.

### 2.3.1 Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund

26. The applicant's E&S policy includes addressing gender equity and women's rights. The applicant is developing a gender policy this year. Recently gender focal points have been designated amongst staff, who have attended various workshops on the application of gender equity.

### 2.3.2 Section 7.2: Demonstration of experience with gender and climate change

27. Given its state of maturity, the applicant demonstrates an ability to apply gender-sensitive approaches to the climate change adaptation programmes that it has undertaken.

## III. Conclusions and recommendation

### 3.1 Conclusions

28. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes as follows in relation to the application:

- (a) The applicant has, in a number of areas, advanced its capacity and procedures beyond the type of activities (size and E&S risk) for which it seeks accreditation. Based on the applicant's track record and plans to strengthen capacity in fiduciary and E&S

- management, it shows the potential to play an even larger role in climate change financing activities in the LDC in which it is located and operates, as well as – by sharing its knowledge and experiences in developing and implementing climate change financing activities – being a catalyst for other national entities in the African region;
- (b) APL001 substantially meets the requirements of the Fund’s basic fiduciary standard and fully meets the requirements of the specialized fiduciary standard for project management. In order to fully meet the Fund’s basic fiduciary standard relating to the investigation function for the purpose of transparency and accountability (Item 4.2.4 of the application for accreditation), the applicant is required to further develop its existing standard, to the satisfaction of the AP, in the manner described in paragraphs 28 (b) (i)-(iv) below. The applicant currently has adequate investigative capacities which it can leverage in order to develop a formal investigation policy, within a short time period, which fully meets the Fund’s standard related to the investigation function. The requirements are:
- (i) Publishing on its website terms of reference that outline the purpose, authority and accountability of the function;
  - (ii) Ensuring the functional independence of the responsible officer;
  - (iii) Including guidelines for processing cases, and standardized procedures for handling complaints and managing cases before, during and after the investigation process; and
  - (iv) Defining a process for periodically reporting case trends;
- (c) The applicant fully meets the requirements of the Fund’s interim ESS in relation to the minimal to no E&S risk (Category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by the Fund’s interim ESS for Category C/I-3 for which the applicant is seeking accreditation. The AP recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant seeks to deepen its knowledge of the Fund’s interim ESS while further developing its ESMS in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2; and
- (d) While the applicant’s E&S policy addresses gender equity and women’s rights, it does not have a separate gender policy. The applicant demonstrates an ability to apply gender-sensitive approaches to climate change adaptation programmes that it has undertaken. It is required that the applicant:
- (i) Develop a gender policy; and
  - (ii) Obtain the competencies required in order to implement the policy.

### 3.2 Recommendation on accreditation

29. The AP recommends, for consideration by the Board, the applicant APL001 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Micro;<sup>4</sup>
  - (ii) **Fiduciary functions:**<sup>5</sup>
    - 1. Basic fiduciary standard; and
    - 2. Specialized fiduciary standard for project management;
  - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);<sup>6</sup>
- (b) **Conditions:**
- (i) The applicant shall meet the requirements indicated in paragraphs 28 (b) (i) – (iv) and 28 (d) (i) – (ii) above prior to the first disbursement of finance by the Fund for an approved project/programme to be undertaken by the applicant. The applicant will be required to submit to the AP, through the Secretariat, information on how it has addressed the condition. The AP will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board.
30. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 29 above, and agrees to the recommendation.

### 3.3 Additional remarks

31. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the condition identified in paragraph 29 (b) (i) above; and
  - (b) Undertaking the recommendation in paragraph 28 (c) above.

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<sup>4</sup> As per Annex I to decision B.08/03, “micro” is defined as: “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”.

<sup>5</sup> Decision B.07/02.

<sup>6</sup> As per Annex I to decision B.07/02, Category C is defined as as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex V: Accreditation assessment of Applicant 002 (APL002)

### I. Introduction

1. Applicant 002 (APL002) is a national entity and an environmental fund located in a developing country in Latin America and the Caribbean. Its mandate is to provide stable and long-term funding as well as to develop and implement innovative strategies for conservation and management of protected areas. Its partnerships at local, national, and international levels with donors have allowed it to address climate change issues such as deforestation and forest degradation as well as to develop climate change projects and programmes, particularly in the areas of environment, agriculture and livestock. Such activities also involve ecosystem services and livelihood enhancement. The applicant seeks accreditation to the Green Climate Fund (the Fund) in order to continue developing and implementing climate change projects and programmes related to, *inter alia*, ecosystems services (watershed conservation); strengthening protected areas in order to reduce risks from extreme climate events; fostering biodiversity conservation mechanisms so as to facilitate climate change adaptation and mitigation; mitigating land degradation and desertification through initiatives of afforestation and reforestation; and promoting agro-biodiversity as a means of supporting climate change adaptation initiatives.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 17 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Green Climate Fund's fit-for-purpose approach:

- (a) **Access modality:** Direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic Fiduciary Standard; and
  - (ii) Specialized fiduciary standard for project management;
- (e) **Environmental and social (E&S) risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the

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<sup>1</sup> As per Annex I to decision B.08/03, "micro" is defined as: 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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and Intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

## 2.1 Fiduciary standards

### 2.1.1 **Section 4.1: Basic fiduciary Standard: Key administrative and financial capacities**

4. As APL002 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation. It is noted that, in recent years, the applicant has implemented appropriate managerial and administrative processes and procedures, which have been developed in cooperation with the international development agencies from which it has received substantial financial and technical support.

### 2.1.2 **Section 4.2: Basic fiduciary standard: Transparency and accountability**

5. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

6. The basic fiduciary standard concerning Transparency and Accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

7. Regarding Item 4.2.4, the applicant provided ample evidence of its investigation function, established in a formal policy. This policy explicitly covers the preventive actions that are undertaken, as well as the process by which to initiate and undertake investigations should irregularities be suspected. The policy is contained in the applicant's operations manual and is published on its website. The policy grants the Executive Director, or the Director of Finance and Administration, the authority, when justified, to establish an independent committee in order to investigate a particular case. The actions to be undertaken, based on the results of the investigation, are clearly outlined in the policy. The investigation process can be initiated by irregularities detected through normal internal control and audit activities or by direct reports made by individuals, which can be received in person or via a web application that issues an e-mail directly to an audit committee member. The instructions and appropriate forms through which to log a complaint are published on the applicant's website. The applicant does not, however, prepare periodic reports on case trends. It is recommended that the applicant include in its investigation policy a process for reporting on trends with regards to its investigation function.

### 2.1.3 **Section 5.1: Specialized fiduciary standard for project management**

8. As APL002 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation.

9. It should be noted that the applicant has a successful track record in project implementation. In the past 20 years, the applicant has raised in excess of US\$150 million through over 50 grant agreements. Most of the projects and programmes financed through

these agreements fall within the following types: land use, forestry, REDD-plus<sup>4</sup>, enhancing livelihoods, and improving the resilience of ecosystems services. The applicant has developed many of its projects with financial and technical assistance from international, multilateral and bilateral institutions.

2.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

10. The applicant did not apply for assessment against this standard at this time.

2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

11. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

12. APL002 specializes in projects related to the protection of forest areas, ecosystem services and livelihood enhancement. The applicant emphasizes public awareness programs and capacity building of the civil society, as its strategy for successful and sustainable project implementation.

13. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category C/Intermediation 3 (I-3)) which by definition contains minimal to no environmental and/or social risks or impacts. The environmental and social management system (ESMS) required for Category C/I-3 is modest and simple, and will not need all of the ESMS elements required for higher risk categories. The required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

2.2.1 **Section 6.1: Policy**

14. Commensurate with the fit-for-purpose accreditation approach and the nature of Category C/I-3 as being minimal to no environmental and social risk, an E&S policy within an institutional ESMS is not required for the Category C/I-3 level of risk. Nevertheless, the applicant issued its environmental and social safeguards (ESS) policy in early 2015. The policy establishes a responsible body for ensuring compliance with these guidelines. However, as this operational policy is new, little evidence on its implementation was available.

2.2.2 **Section 6.2: Identification of risks and impacts**

15. The applicant has demonstrated practical experience in screening and assessing risks and impacts, and has the technical skills and competency to do this. The E&S policy includes the requirement to first screen activities in order to determine if they have the potential to result in risks or impacts and if so, to conduct an environmental and social impact assessment. The applicant has experience in categorizing E&S risks under several international and national standards, depending on the source of project funding. The applicant provided project examples, which indicate that the organization is capable of screening projects and programmes against risk categories.

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<sup>4</sup> In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

### 2.2.3 **Section 6.3: Management programme**

16. The applicant's E&S policy includes a process for managing risks and impacts that are identified during the risks and impacts assessment process. In addition, this policy establishes organizational responsibilities and steps for managing E&S risks and impacts, developing monitoring indicators and then monitoring the results.

### 2.2.4 **Section 6.4: Organizational capacity and competency**

17. The applicant's experience in implementing projects in close collaboration with international, multilateral and bilateral institutions has provided the knowledge base required for the successful implementation of its ESS policy. The applicant has over 15 years of experience in implementing projects that include ESS. Additionally, an important component of the recent international assistance received by the applicant has been invested in developing its institutional capacity.

### 2.2.5 **Section 6.5: Monitoring and review**

18. The applicant has established a new unit for project and programme environmental and social monitoring. The E&S reporting requirements are included in the applicant's operating procedures, however improvements in the applicant's compliance with these requirements are recommended, such that the reports are recorded in verifiable documents.

### 2.2.6 **Section 6.6: External Communications**

19. The applicant's external communication policy is contained in its operations manual and the policy is implemented via its website. The website has specific links through which suggestions and comments can be posted, and a specific link through which reports of violations to the applicant's code of ethics can be reported. APL002 has not received any communication, as yet, through this channel.

## 2.3 Gender

### 2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

20. The applicant has a documented gender policy. The applicant has an experienced gender specialist at their disposal who is responsible for assuring compliance with the applicant's gender policy.

### 2.3.2 **Section 7.2: Demonstration of experience with gender and climate change**

21. The applicant has demonstrated its commitment to applying its gender policy to the projects and programmes that it implements and executes; in each of the major project examples provided, gender issues are dealt with and opportunities to address gender inequity through project implementation are set as project goals.

### III. Conclusions and recommendation

#### 3.1 Conclusions

22. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes as follows in relation to the application:

- (a) The applicant has, in a number of areas, advanced its capacity and procedures beyond the type of activities (size and E&S risk) for which it seeks accreditation. Based on the applicant's track record and plans to strengthen capacity in the fiduciary and E&S management, it shows the potential to play an even larger role in climate change financing activities in the developing country in which it is located and operates, as well as – by sharing its knowledge and experiences in developing and implementing climate change financing activities – being a catalyst for other national entities in the Latin American and Caribbean region;
- (b) APL002 substantially meets the requirements of the Fund's basic fiduciary standard and fully meets the requirements of the specialized fiduciary standard for project management. The applicant currently has adequate investigative capacities which it can leverage in order to develop a formal investigation policy, within a short time period, which fully meets the Fund's standard related to the investigation function. In order to fully meet the Fund's basic fiduciary standard related to this function, for the purpose of transparency and accountability (Item 4.2.4 of the application for accreditation), the applicant is required to further develop its existing process for the periodic reporting of case trends related to the function in the manner described in paragraph 22 (b)(i) below. The requirement is:
  - (i) To define and implement a process for periodically reporting case trends. In order to enhance accountability and transparency, case trend reports and other information are made available to senior business management and relevant business functions to the extent possible;
- (c) The applicant fully meets the requirements of the Fund's interim ESS in relation to the minimal to no E&S risk (Category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by an applicant seeking accreditation against this category. The AP recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant should seek to deepen its knowledge of the Fund's interim ESS while further implementing its new ESS policy in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2. It is additionally recommended that the applicant strengthen its E&S reporting function; and
- (d) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

#### 3.2 Recommendation on accreditation

23. The AP recommends, for consideration by the Board, the applicant, APL002, for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Micro;<sup>5</sup>
  - (ii) **Fiduciary functions:**<sup>6</sup>
    - 1. Basic Fiduciary Standard; and
    - 2. Specialized Fiduciary Standard for Project Management;
  - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);<sup>7</sup>
- (b) **Conditions:**
- (i) The applicant shall meet the requirement indicated in paragraph 22 (b) (i) above prior to the first disbursement of finance by the Fund for an approved project/programme to be undertaken by the applicant. The applicant will be required to submit to the AP, through the Secretariat, information on how it has addressed the condition. The AP will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board.
24. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 23 above, and agrees to the recommendation.

### 3.3 Additional remarks

25. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the condition identified in paragraph 23 (b) (i) above; and
  - (b) Undertaking the recommendations in paragraph 22 (c) above.

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<sup>5</sup> As per Annex I to decision B.08/03, “micro” is defined as: “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”.

<sup>6</sup> Decision B.07/02.

<sup>7</sup> As per Annex I to decision B.07/02, Category C is defined as as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex VI: Accreditation assessment of Applicant 003 (APL003)

### I. Introduction

1. Applicant 003 (APL003) is a regional entity located in the Asia–Pacific region focused on climate change and environmental issues affecting the small island developing States (SIDS) in which it operates. The applicant supports action on climate change in the key areas of adaptation, mitigation, policy and science. Key activities include: assisting SIDS to integrate climate change considerations into national planning and development processes; supporting and building capacity at the national and subnational levels through technical training on meteorological services, cost benefit analyses, vulnerability assessments and monitoring and evaluation; providing support to coordinate integrated adaptation measures; and implementing mitigation activities such as renewable energy projects (solar and biomass). The applicant intends to build upon its current experience and to focus on integrated approaches to addressing climate change, disaster risks as well as ecosystem based adaptation projects and programmes in SIDS. By becoming accredited to the Green Climate Fund (the Fund), the applicant will apply any funds towards SIDS-focused adaptation and mitigation projects and programmes, as well as building national capacity in order to address climate change.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 16 January 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Fund’s fit-for-purpose approach:

- (a) **Access modality:** Direct access, regional. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management;
- (e) **Environmental and social (E&S) risk category:** Minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund’s standards by the Accreditation Panel (the AP) in accordance with the requirements and gaps identified in decision B.08/03.

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<sup>1</sup> As per Annex I to decision B.08/03, “small” is defined as: “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”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## 2.1 Fiduciary standards

4. The applicant has demonstrated:

- (a) Competencies in project/programme appraisal, monitoring and evaluation; and
- (b) Significant experience in managing disbursements, predominantly in the form of grants specific to the donor-funded projects/programmes, to beneficiaries primarily in the Asia-Pacific region.

5. The applicant's track record in the above areas, including activities that promote climate change adaptation and mitigation objectives, has been developed in cooperation with a wide range of international (multilateral and bilateral) funding institutions. Against this track record, the applicant intends to establish its own set of grant management guidelines by June 2015. This reflects the applicant's emerging role as an implementing entity applying its own standards to all of its projects and programmes rather than those of different donors on a project-by-project basis.

### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

6. As APL003 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

### 2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

7. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

8. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

9. Regarding Item 4.2.4, the applicant provided, in its application, evidence which indicates that it meets the requirements of the basic fiduciary standards related to the investigation function. An internal investigations role is assigned to the internal auditor who is responsible for identifying, and/or responding to, allegations of fraud within the organization. A fraud manual articulates the terms of reference and operational procedures for the investigation function and has been published on the applicant's website.

### 2.1.3 Section 5.1: Specialized fiduciary standard for project management

10. As APL003 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation.

2.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

11. The applicant did not apply for assessment against this standard at this time.
12. The applicant is formalizing its systems and processes that support the management of funding received from donors and other funds which will be allocated as grants, and the methods by which it ensures accountability and due diligence in the allocation and disbursement of those funds as grants to beneficiaries. In this context, the applicant is developing grant management guidelines.

2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

13. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

14. The applicant has demonstrated its experience in implementing the environmental and social safeguard requirements of the donor institutions that fund various projects and programmes. As with plans to enhance its fiduciary capacity, the applicant is also in the process of strengthening its capacity in order to address environmental and social safeguards at the institutional level. The applicant has developed an environmental and social management system (ESMS) and states that it will continue to build its capacity to plan for, and manage, the environmental and social risks and impacts of its work, and to reflect this through future iterations of its ESMS document.

15. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category C/Intermediation 3 (I-3)) which, by definition, contain minimal to no environmental and/or social risks or impacts. The ESMS required for Category C/I-3 is modest and simple, and will not need all of the ESMS elements required for higher risk categories. The required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

16. The AP recognizes that the applicant has a developing capacity to evolve into undertaking Category B/I-2 projects and programmes.

2.2.1 **Section 6.1: Policy**

17. Commensurate with the fit-for-purpose accreditation approach and with the nature of Category C/I-3 as being minimal to no environmental and social risk, an E&S policy within an institutional ESMS is not required for the Category C/I-3 level of risk. However, the applicant has developed an E&S policy, which sets out the principles and standards of E&S management in organizational decision-making, programming and project management.

2.2.2 **Section 6.2: Identification of risks and impacts**

18. The ESMS describes a process of screening projects, and where the screening processes have identified the relevant laws and/or performance standard areas in accordance with the Fund's interim environmental and social safeguards (ESS) triggered by the project, a further, more in-depth risk and impact assessment is undertaken in order to better understand the risks and potential impacts involved. The scope of the assessment undertaken is commensurate with the nature and scale of the risk or impact involved. The risk management plan is being introduced for new projects; however, the applicant has demonstrated experience with risk identification using risk categories of donor agencies that fund its projects/programmes. The

new risk management plan recognizes the need to address both national E&S legal requirements, as well as best practice, tailored performance standards and risk categories of different potential donors/funding sources.

#### 2.2.3 **Section 6.3: Management programme**

19. Based on the assessments undertaken, the applicant's project team then identifies, and integrates into project design documentation, mitigation, avoidance (or other) activities and/or measures to be implemented through the project. The applicant's ESMS includes a plan to assign roles and responsibilities in order to manage and oversee E&S issues during the project cycle. The project risk management plan also indicates the need for each project to develop a management strategy so as to address risk issues commensurate with the project's risk profile.

#### 2.2.4 **Section 6.4: Organizational capacity and competency**

20. The applicant has provided an organizational chart that defines the roles and responsibilities of different teams/positions. However, the organizational and staff capacity is still developing and the applicant is currently receiving technical assistance in order to strengthen organizational and staff capacity so as to ensure its ability to implement the E&S policy and procedures.

#### 2.2.5 **Section 6.5: Monitoring and review**

21. The applicant is in the process of improving its monitoring and evaluation framework, so as to allow for better reporting on the delivery of outcomes. It is expected that monitoring will include E&S performance as the ESMS is further developed.

#### 2.2.6 **Section 6.6: External communications**

22. The applicant has appropriate channels for external communication with partners, beneficiaries and stakeholders. It has instituted a time-bound process in order to manage feedback, mainly for inquiries/complaints related to procurement and claims of fraudulent behaviour. It has plans to enhance the scope of the process so as to include E&S inquiries/complaints.

## 2.3 Gender

23. The applicant has an established gender policy, which includes a strategy for the integration of gender dimensions into its activities. The applicant also shows evidence of applying a gender-sensitive approach to climate change adaptation projects and programmes. Capacity for gender is dispersed among different staff. However, the applicant has developed a plan for gender capacity development throughout the organization.

#### 2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the Fund's gender policy**

24. A gender policy is in place, and competency to implement this policy is demonstrated by the applicant. The applicant currently has a gender focal point.

### 2.3.2 Section 7.2: Demonstration of experience with gender and climate change

25. The applicant has demonstrated experience in applying gender-sensitive approaches to climate change adaptation programmes. For example, the applicant has made reducing gender inequity a project/programme goal, and provided evidence in order to demonstrate this.

## III. Conclusions and recommendation

### 3.1 Conclusions

26. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes as follows in relation to the application:

- (a) The applicant has, in a number of areas, advanced its capacity and procedures beyond the type of activities (size and E&S risk) for which it seeks accreditation. Based on the applicant's track record and plans to strengthen capacity in the fiduciary and E&S management fields by June 2015, it shows considerable potential for playing an even larger role in climate change financing activities in the Asia-Pacific region and for the SIDS in which it is located and operates;
- (b) APL003 fully meets the requirements of the Fund's basic fiduciary standard and fully meets the requirements of the specialized fiduciary standard for project management. The applicant did not apply for accreditation against the specialized fiduciary standard for grant award and/or funding allocation mechanisms, however, it already partially meets this standard. The applicant is developing its grant management guidelines to be applied at the institutional level, and these guidelines will be relevant should the applicant choose to apply for the specialized fiduciary standard for grant award and/or funding allocation mechanisms. It is recommended that the applicant continue with its plans to formalize, institutionalize and implement its grant management guidelines in order to support a potential future application for accreditation against the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (c) The applicant fully meets the requirements of the Fund's interim ESS in relation to the minimal to no E&S risk (Category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for Category C/I-3 against which the applicant is seeking accreditation. The AP recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its ESMS in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2;
- (d) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has demonstrated that it has experience with gender and climate change; and
- (e) The applicant is encouraged to proceed with plans to formalize and institutionalize both its grant management guidelines and its ESMS, including its E&S risk categorization system throughout the organization and across the full range of its expanding activities, as well as within its partner executing agencies and beneficiaries, acting as a catalyst for change in the region.

## 3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, the applicant APL003 for accreditation as follows:

(a) **Accreditation type:**

(i) **Size of an individual project or activity within a programme:** Small<sup>4</sup> (including micro);

(ii) **Fiduciary functions:**<sup>5</sup>

1. Basic fiduciary standards; and
2. Specialized fiduciary standard for project management;

(iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);<sup>6</sup>

(b) **Conditions:**

(i) None.

28. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 27 above, and agrees to the recommendation.

## 3.3 Additional remarks

29. The applicant is encouraged to seek readiness and preparatory support to assist it with: Undertaking the recommendations in paragraph 26 (b) – (c) above.

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<sup>4</sup> As per Annex I to decision B.08/03, “small” is defined as: “ 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”.

<sup>5</sup> Decision B.07/02.

<sup>6</sup> As per Annex I to decision B.07/02, Category C is defined as as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex VII: Accreditation assessment of Applicant 004 (APL004)

### I. Introduction

1. Applicant 004 (APL004) is an impact investment fund<sup>1</sup> with almost 15 years' experience in small and medium-sized enterprises (SMEs)<sup>2</sup> that serve low-income communities in developing countries primarily in Africa and the Asia-Pacific region. The applicant has a successful track record in sourcing and executing equity investment opportunities in the clean energy, agriculture and health-care sectors, which provide environmental and livelihood impacts. The results of its activities overlap with the results areas and impacts of the Green Climate Fund (the Fund) in the areas of reducing carbon dioxide emissions from energy efficient products (appliances); improvements in the livelihoods of vulnerable populations through the provision of improved agricultural inputs, services and information; and increased access to health-care products and services that treat diseases and conditions related to the negative effects of climate change and emissions from polluting fuels. The applicant's activities, for example, include the distribution of: solar lanterns, solar home systems, smoke-free cook stoves (energy) and formal financial services, such as providing home improvement micro loans for low-income women and families in developing countries in Africa and the Asia-Pacific region. Leveraging its well-established track record investing in companies via equity and loan instruments, the applicant seeks accreditation to the Fund as an opportunity to further assist more people in the low-income communities in which it operates.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 15 January 2015. Stage I, Institutional assessment and completeness check, and Stage II (Step 1), Accreditation review, were concluded. The applicant has applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** Direct access, regional. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** Normal;
- (c) **Size of project/activity within a programme:** Micro;<sup>3</sup>
- (d) **Fiduciary functions:**<sup>4</sup>
  - (i) Basic fiduciary standard;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for on-lending and/or blending;
- (e) **Environmental and social (E&S) risk category:** Minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>5</sup>

<sup>1</sup> The Global Impact Investing Network defines Impact Investments as "investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return". Available at <<http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html>>.

<sup>2</sup> International Finance Corporation, "Interpretation note on small and medium enterprises and environmental and social risk management", 1 January 2012. Available at <[http://www.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote\\_SME\\_2012.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote_SME_2012.pdf?MOD=AJPERES)>. The applicant is considered an SME as per the definition contained in this document.

<sup>3</sup> As per Annex I to decision B.08/03, "micro" is defined as: "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".

<sup>4</sup> Decision B.07/02.

<sup>5</sup> As per Annex I to decision B.07/02, Category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and Intermediation 3 is defined as "When an intermediary's

## II. Accreditation assessment

3. The applicant is seeking accreditation to the Fund to expand its support for local companies that are in their initial stages of development in a several developing countries, primarily in Africa and the Asia–Pacific region. Examples of its targeted investment sectors, which present minimal to low environmental and social risks and/or impacts, include the distribution of solar lanterns, solar home systems, smoke-free cook stoves (energy) and formal financial services, such as providing home improvement micro loans for low-income women and families in developing countries in Africa and the Asia–Pacific region. The applicant has a well-established track record investing in companies via equity and loan instruments. The average investment per company, made by the applicant, is between US\$ 1 million and 3 million. The applicant’s application was assessed against the Fund’s standards by the Accreditation Panel (AP) in accordance with the standards it has applied for accreditation since the applicant has applied under the normal track.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

4. The applicant has a well-established financial management system, which demonstrates and assures that the key administrative and financial capacities are in place. The applicant’s approved investment portfolio has grown doubling from 2008 to almost US\$ 90 million in 2013. A management committee directs the management of the organization. To ensure that the applicant has appropriate management oversight and control over the companies in which it invests, regional offices that employ local talent have been established.

5. An investment committee, the members of which are appointed by the board of directors, oversees all of the applicant’s investment activities.

6. This board of directors comprises several qualified members and maintains four committees of its board.

7. The applicant has a formal process to set both long-term and short-term objectives. The former are contained in a five-year plan that outlines the type of companies in which investments will be made, as well as the social and financial goals that need to be achieved. The latter are set and monitored based on specific investment reports for each company in which the applicant has an investment stake.

8. The applicant collects, tracks and analyses performance data from portfolio companies on a web-based, custom-built platform. Prior to the disbursement of funds with respect to any investment, the applicant works with portfolio companies in order to identify the appropriate financial, operational and social indicators and the frequency of reporting. Data is aggregated monthly and used by various staff members of the applicant, including the country directors, so as to track the progress of portfolio companies over time.

9. The applicant’s external auditor certifies that the Generally Accepted Accounting Principles (GAAP) are adhered to, and the applicant recognizes losses in investment values when they are identified, in line with accounting best practices. The adherence to GAAP guarantees that periodic, complete, timely and accurate financial statements and information is available.

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existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

10. The applicant is a small organization with approximately 100 employees. Due to the specific nature of its activities – to evaluate, invest in and monitor investee company performance – the applicant’s control framework has industry-specific characteristics. The applicant has an internal independent audit committee that oversees the investment process and ensures that the financial resources under management are properly used. This function is supported by the availability of quality accounting information and a well-developed investment and financial resource monitoring system. The audit committee ensures its independence by including in its composition some independent directors.

11. The external auditor has provided written confirmation that periodic external audits are performed in accordance with GAAP, and furthermore that the management letters provided by the applicant, and prepared by the external auditor, do not contain any material comments regarding the applicant’s internal control.

12. Based on the information provided, it is assessed that the applicant fully meets the requirements of the basic fiduciary standard related to the key administrative and financial capacities.

#### 2.1.2 **Section 4.2: Basic fiduciary standard: Transparency and accountability**

13. The applicant has a code of ethics that has been communicated throughout the organization, and which clearly defines the conduct expectations of organization from its employees.

14. The disclosure of potential conflict of interests is a best-practice component in the investment fund industry. Disclosure standards for staff are clearly defined in relation to potential or executed investments made by the applicant.

15. The applicant has functional investigation capabilities based on the initial due diligence process undertaken and on close monitoring of each investment. The applicant has been able, for example, to detect cases of financial mismanagement and unacceptable labour practices in the portfolio companies. However, to ensure that the applicant fully meets the basic fiduciary standard concerning transparency and accountability, the formalization of its investigation function should be set as a condition to be undertaken by the applicant. Given the monitoring tools and close follow-up of the portfolio companies, the applicant should have the capacity to formalize an investigation policy that fully reflects the investigation function requirements of the Fund’s standard.

16. The applicant, as a part of the laws and regulations governing its establishment, is subject to clear requirements in terms of know your customer and anti-money laundering requirements. The extensive due diligence and monitoring efforts undertaken by the applicant with respect to the investee companies provide concrete evidence that the applicant has the policies, procedures and capacity in order to implement those requirements. In accordance with the requirements, the applicant, which receives a significant amount of its funding from charitable contributions, is required to follow exhaustive procedures in terms of ensuring that all charitable contributions come from legitimate sources.

#### 2.1.3 **Section 5.1: Specialized fiduciary standard for project management**

17. In the case of this applicant, a “project” is defined as the identification of an investment opportunity, the due diligence process and the investment decision. The applicant’s project management skills in this respect are well established as demonstrated by its capacity to identify successful investment opportunities that lead to the achievement of the specified social impact and financial goals.

18. The applicant's apparent project management success is based on its investment identification and due diligence processes. The applicant performs an initial research effort in order to identify potential investment opportunities, and, once identified, a decision is made regarding which opportunities to pursue. For those opportunities that are selected, an initial due diligence process is undertaken. Based on the results of the initial due diligence, if satisfactory, a preliminary investment memo is signed, a formal due diligence is performed, the investment committee reviews the results of the formal due diligence and makes a decision regarding the investment, and finally, if approved by the investment committee, the investment arrangement is legally formalized.

19. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for project management.

2.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

20. The applicant did not apply for assessment against this standard at this time.

2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

21. The standard practice in the investment fund industry is that an investor (in this case, the Fund) invests resources directly in an entity (in this case, the applicant). The entity then invests the available resources in portfolio companies.

22. The applicant has established, well-defined and effective processes and procedures in order to identify investment opportunities, undertake the requisite due diligence and subsequently monitor the performance of the portfolio companies that have the potential to generate the expected financial as well as social returns.

23. The applicant has a track record of the effective management of charitable donations in terms of transparency in the use of funds, monitoring and reporting the results of the investments. Furthermore, the applicant has a successful track record of co-investing with major multilateral institutions.

24. The applicant has a specific policy regarding funds restricted to a particular purpose. In order to track the restricted funds and to ensure proper reporting, a specific process to control and monitor the use of such resources is in place. The main components of the applicant's approach in this regard are:

- (a) A monthly review and report of compliance with restrictions;
- (b) A review of appropriate accounting; and
- (c) A quarterly donor (investor) report describing the use of the restricted funds.

25. Monthly post-investment control reports are also in place so as to monitor compliance by the investee company over time with the terms and conditions established in the investment agreement. The applicant has the required managerial tools in place to maintain updated information for every company in which it invests.

26. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for on-lending and/or blending with respect to loans and equity as financial instruments.

## 2.2 Environmental and social safeguards

27. The applicant demonstrates experience in implementing environmental and social safeguard (ESS) requirements across its investment activities in various projects and programmes. Even so, the applicant is continuing to strengthen its capacity to address potential E&S risks and impacts. It is undertaking investments in several portfolio companies and in activities with minimal E&S risk, such as providing home improvement micro loans for low-income women and families and distributing emissions-free cook stoves in developing countries in Africa and the Asia–Pacific region.

28. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category C/Intermediation 3 (I-3)), which, by definition, contains minimal to no environmental and/or social risks or impacts. The environmental and social management system (ESMS) required for Category C/I-3 is modest and simple, and will not need all of the ESMS elements required for higher risk categories. Required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

### 2.2.1 Section 6.1: Policy

29. Commensurate with the fit-for-purpose accreditation approach and with the nature of Category C/I-3 as being of minimal to no environmental and social risk, an E&S policy within an institutional ESMS is not required for the Category C/I-3 level of risk. The applicant is seeking accreditation against Category C/I-3, and while it is not required for this category, the applicant has a relatively new E&S policy which has been implemented in a recent activity and is planned to be implemented across all of its future investment activities.

### 2.2.2 Section 6.2: Identification of risks and impacts

30. The applicant provided a brief description of its environmental and social management system, which is underpinned by a detailed environmental and social checklist. The checklist was first put into use in 2014 and is fully consistent with the Fund's interim ESS. If high risks are identified during the due diligence process then external experts are retained in order to assist with evaluation. The applicant is in the process of formalizing written procedures, to support its ESMS, regarding the identification of risks and impacts.

31. The applicant provided several examples of due diligence reports for its climate change mitigation and adaptation investment activities, which demonstrate appropriate risk identification and categorization using its environmental and social checklist.

### 2.2.3 Section 6.3: Management Programme

32. The applicant assesses and tracks environmental and social risks during the due diligence visits and analyses of the investee company's adherence to appropriate laws. The environmental, social and governance due diligence is intended to uncover risks, identify potential risk mitigants and/or the lack thereof, as well as to evaluate areas for potential E&S and governance improvements. Upon completion of the due diligence, an action plan is developed outlining potential mitigation actions.

### 2.2.4 Section 6.4: Organizational capacity and competency

33. The applicant designates a person to be in charge of all E&S matters related to each investment and ensures that all members of the investment team have been trained adequately with regard to fulfilling the appropriate ESS requirements. The applicant provided an organizational chart showing the responsibilities for addressing E&S requirements. The entity is

currently strengthening its organizational and staff capacity regarding its E&S policy and procedures across its investment activities.

#### 2.2.5 **Section 6.5: Monitoring and review**

34. The monitoring and review of the investment activities is targeted at the review of the financial results and indicators, technical and construction-related issues, as well as social and environmental issues. It is undertaken on a monthly and quarterly basis and the data from the monitoring of the investment activities are submitted to the applicant by its portfolio companies and are assessed against its internal policies.

#### 2.2.6 **Section 6.6: External communications**

35. The applicant has appropriate channels for external communication with its investment activity partners and also includes addresses and phone/fax numbers on its website for its headquarters and local offices so it is feasible for inquiries or complaints to be lodged. At present, the applicant has an ad hoc process for responding to such inquiries or complaints.

### 2.3 Gender

#### 2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

36. While the applicant does not have a gender policy, it has elements contained within its existing and applied employment and ethics policies that address gender. A select number of portfolio managers will receive gender training, particularly as it relates to the impact of portfolio companies on women, within the next 6 to 12 months.

#### 2.3.2 **Section 7.2: Demonstration of experience with gender and climate change**

37. The applicant provided, in its application, evidence that demonstrates gender-sensitive approaches to its climate change mitigation and adaptation-related investment activities. The applicant provided evidence of its investments that specifically target women in their objectives, such as emissions-free cook stoves in developing countries in Africa and the Asia-Pacific region as well as community-based micro solar projects and health-care projects for women. The applicant is also working with a non-governmental organization to prepare a study identifying the impacts of some of its portfolio companies on women.

## III. **Conclusions and recommendation**

### 3.1 Conclusions

38. Following its assessment and noting that the applicant has applied under the normal track accreditation process, the AP concludes as follows in relation to the application:

- (a) The applicant is a private sector SME that has a demonstrated track record in climate change mitigation and adaptation-related activities in developing countries, primarily in Africa and the Asia-Pacific region, through equity investments. As a potential private sector partner, a key feature is the potential to promote a transformative and paradigmatic shift in climate finance at the level of global climate funds through new business models. The applicant's activities and direction are aligned with the Fund's

- mission and objectives, allowing the Fund's resources to be channelled to a diversity of geographical regions and sectors defined in the applicant's strategic objectives;
- (b) APL004 substantially meets the requirements of the Fund's basic fiduciary standard, and fully meets the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and/or blending for loans and equity. In order to fully meet the Fund's basic fiduciary standard, improvements relating to the investigation function for the purpose of transparency and accountability (Item 4.2.4 of the application for accreditation) are required as described in paragraphs 37 (b) (i) – (iv) below. The applicant currently has adequate investigative capacities which it can leverage in order to develop a formal investigation policy, within a short time period, which fully meets the Fund's standard related to the investigation function. The requirements are:
- (i) Publishing on its website, terms of reference that outline the purpose, authority and accountability of the function;
  - (ii) Ensuring the functional independence of the responsible officer;
  - (iii) Including guidelines for processing cases, and standardized procedures for handling complaints and managing cases before, during and after the investigation process; and
  - (iv) Defining a process for periodically reporting case trends;
- (c) The applicant fully meets the requirements of the Fund's interim ESS in relation to the minimal to no E&S risk (Category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for Category C/I-3 that the applicant is seeking accreditation against. The AP recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its relatively new ESMS processes in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2. It is additionally recommended that the applicant strengthen its E&S reporting function; and
- (d) While the applicant has elements contained within its existing and applied employment and ethics policies that address gender, it does not have a gender policy. The applicant will be gaining competency through gender training received by its portfolio managers. The applicant has demonstrated that it has experience with gender and climate change. It is required that the applicant:
- (i) Develop a gender policy; and
  - (ii) Obtain the competencies required in order to implement the policy.

### 3.2 Recommendation on accreditation

39. The AP recommends, for consideration by the Board, the applicant, APL004, for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Micro<sup>6</sup>
  - (ii) **Fiduciary functions:**<sup>7</sup>
    - 1. Basic fiduciary standard;
    - 2. Specialized fiduciary standards for project management; and
    - 3. Specialized fiduciary standards for on-lending and/or blending (for loans and equity only);
  - (iii) **Environmental and social risk category:** Minimal to no risk (Category C/I-3);<sup>8</sup>
- (b) **Conditions:**
- (i) The applicant shall meet the requirements indicated in paragraphs 37 (b) (i) – (iv) and 37 (d) (i) – (ii) above prior to the first disbursement of finance by the Fund for an approved project/programme to be undertaken by the applicant. The applicant will be required to submit to the AP, through the Secretariat, information on how it has addressed the condition. The AP will thereafter assess whether the condition has been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board.
40. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 38 above, and agrees to the recommendation.

### 3.3 Additional remarks

41. The applicant is already taking the steps required for:
- (a) Meeting the conditions identified in paragraph 38 (b) (i) above; and
  - (b) Undertaking the recommendations in paragraph 37 (c) above.

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<sup>6</sup> As per Annex I to decision B.08/03, “micro” is defined as: “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”.

<sup>7</sup> Decision B.07/02.

<sup>8</sup> As per Annex I to decision B.07/02, Category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and Intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex VIII: Accreditation assessment of Applicant 005 (APL005)

### I. Introduction

1. Applicant 005 (APL005) is an international organization whose main goal is to reduce poverty in the region in which it operates through environmentally sustainable growth. This goal is pursued through the provision of various forms of financial assistance to developing countries through loans, technical assistance, grants, guarantees and equity investments. The applicant works in many areas to address climate change, however its main focus and expertise are in the following subject matter: clean energy, sustainable transport and urban development, land use and forests for carbon sequestration, climate resilient development, as well as strengthening related policies, governance and institutions. If accredited, the applicant intends to deploy financial resources from the Green Climate Fund (the Fund) in public and private sector projects focused on mitigation (e.g. energy generation and access, energy efficiency, transport, buildings, cities, industries and appliances, land use/forestry, and institutional and regulatory systems); adaptation (e.g. enhancing livelihoods, health and well-being and food and water security, infrastructure and built environment, ecosystems and ecosystem services, climate information/ early warning systems, and awareness strengthening and climate risk reduction), and cross-cutting issues.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 2 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** International access;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending;
- (e) **Environmental and social (E&S) risk category:** High risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per Annex I to decision B.08/03, "large" is defined as: "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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and Intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

4. As APL005 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

5. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

6. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

7. Regarding Item 4.2.4, the applicant provided, in its application, evidence which indicates that it meets the requirements of the basic fiduciary standards related to the investigation function. Investigations of alleged/suspected fraud and corruption are handled by a specific office that applies its own guidelines for investigations. Annual reports providing detailed information on cases that have been investigated or are under investigation are published on the applicant's website.

#### 2.1.3 Section 5.1: Specialized fiduciary standard for project management

8. As APL005 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation.

#### 2.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms

9. The applicant is a well-established organization with nearly five decades of experience in providing development finance and execution of funding allocation to developing countries. Although it does not operate a competitive grant award scheme, the applicant has a mature set of procedures and standards for the allocation of funds for various types of development projects with different financing modalities, ranging from grants and concessional loans to trust funds.

10. The applicant has provided evidence that it has a track record in implementing its procedures and standards for the allocation of funds. Projects undertaken by the applicant are identified in partnership with governments of developing countries. The applicant has active arrangements with partners for concessional loans and grants. The total financing envelope under these arrangements is in the range of billions of United States dollars. In addition, the applicant is administering a large number of trust funds with total commitments in billions of United States dollars.

11. Based on the information provided, it is assessed that the grant award mechanism implemented by the applicant is transparent with formally documented procedures for assessing grant proposals. Potential grant funding proposals are identified in partnership with the developing country governments of the countries in which the applicant operates, and are then assessed by a group including senior management. The grant award decisions are taken by appropriate authorized and competent parties in the organization. The applicant monitors the implementation of funded programme activities, undertakes site visits, and supports beneficiaries through counselling and advice.

12. All grants or loans provided by the applicant are subject to the applicant's anti-corruption policy, which prohibits all forms of corrupt practices. The applicant also has the right to investigate all projects that it has financed in the case of credible complaints of corruption during the implementation of the project, including the right to inspect and audit the accounts of the project and the relevant executing agency.

13. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

#### 2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

14. The applicant has an operations manual for its financing operations, which details policies and operational procedures for official, commercial and other concessional co-financing activities.

15. Based on the information provided, it is assessed that the applicant has a strong track record, experience and capacities for on-lending and blending with resources from international or multilateral sources. The on-lending experience is extensive, with clients covering a large number of public and private sector institutions in the developing countries in which it is active. A significant portion of the applicant's outstanding loans (in the range of several billion United States dollars) have been made to the public sector (government agencies of developing countries) with the rest comprising loans to private sector enterprises, financial institutions and non-sovereign public sector entities. The cumulative direct value-added official and commercial co-financing spanning decades is in the range of several billion United States dollars in thousands of projects, of which the majority were for technical assistance projects and several hundred were for investment projects.

16. The applicant has experience in undertaking equity investments, with a portfolio of multiple investments for which the total is in the range of hundreds of millions of United States dollars.

17. The applicant also provides guarantees as credit enhancements for eligible projects to cover risks that the project and its commercial co-financing partners cannot easily absorb or manage on their own. Guarantees have been provided for infrastructure projects, financial institutions, capital markets and trade finance.

18. The applicant administers resources for some global funds, which address climate change, food security and disaster relief/reconstruction. In addition, it administers co-financing on a project-specific basis.

19. The applicant conducts financial due diligence during project assessment, and has an extensive and systematic review process during the project implementation phase involving the recipient government, project sponsor and its own staff.
20. The applicant monitors both individual loans and portfolio performance on a quarterly basis, and has a systematic review process in order to identify implementation issues and to correct them as necessary. More detailed project-specific reviews are undertaken by teams at the applicant's headquarters responsible for project implementation, supplemented by follow-up actions by resident missions.
21. The applicant has committees in place, which oversee asset liability and risk management activities. Minutes of meetings from the committees were deemed to be confidential and were therefore not provided as a part of the application for accreditation. However, in all other respects, the applicant has provided evidence of having a robust financial management system.
22. Based on the information provided, it is assessed that the applicant fully meets the requirements of the specialized fiduciary standard for on-lending and/or blending with respect to the financial instruments loans, equity and guarantees.

## 2.2 Environmental and social safeguards

23. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category A/Intermediation 1 (I-1)). Entities that desire to undertake Category A/I-1 or lower risk (Category B/I-2 and Category C/I-3) type projects/programmes will be required to have an environmental and social management system (ESMS)<sup>4</sup> that is mature and documented, with a proven track record of managing these types of projects/programmes, and the full support of senior management. Required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.
24. The applicant demonstrates a mature institutional capacity to anticipate and manage environmental and social safeguard (ESS) issues.

### 2.2.1 Section 6.1: Policy

25. The applicant has a well-developed environmental and social safeguard policy, which is supplemented by a series of manuals and sourcebooks to guide implementation. The safeguard policy statement consists of three safeguards covering environment, involuntary resettlement and indigenous people. Each of the safeguards contains policy principles that are considered consistent with the Fund's interim ESS. It also has related policies in respect of core labour standards, public communications and accountability.

### 2.2.2 Section 6.2: Identification of risks and impacts

26. The applicant's E&S policy and operational procedures guide technical staff in identifying risks and impacts through screening and assessment processes. The risk categories under the applicant's process are for Categories A - C and financial intermediaries. The applicant utilizes clear procedures and tools for risk categorization, and the approval involves multiple reviews by different parts of the organization. Project categorization uses specific criteria for environment, involuntary resettlement and indigenous peoples; and forms to assist project staff

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<sup>4</sup> An ESMS is a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the adverse environmental and social impacts of its activities and maximize any potential environmental and social benefits in a consistent way, and to improve the environmental and social standing of the organization and its activities over time. Refer to decision B.07/02 for more details.

in identifying risks, and obtaining endorsement and approvals from different units in the organization. The applicant has provided documentation showing an extensive track-record for implementing projects under risk Categories A - C.

#### 2.2.3 **Section 6.3: Management programme**

27. Environmental and social safeguards are managed through clearly established procedures. The applicant operates a formal mechanism in order to manage environmental and social risks, and assigns responsibilities to borrowers (for assessments), and the applicant's relevant units for due diligence as well as monitoring of progress and compliance with the applicant's safeguard policies. Safeguard monitoring reports are prepared for individual projects, and are available publically through the entity's website. The applicant also demonstrates that it has a safeguards compliance review mechanism that is followed from the project concept phase to implementation.

#### 2.2.4 **Section 6.4: Organizational capacity and competency**

28. The applicant has over 100 technically trained environmental and social safeguard staff, at both the applicant's headquarters and in its national offices. The applicant has also provided evidence of continuing capacity-building to improve staff capacity on all of the environmental and social issues. The training courses offered are intended not only to introduce the applicant's safeguard policies, but also to cover specific topics on biodiversity in project design, involuntary resettlement planning and management as well as ensuring environmental management during the construction of projects.

#### 2.2.5 **Section 6.5: Monitoring and review**

29. The applicant has a mature mechanism for the monitoring of projects and safeguards implementation, including through an internal portfolio performance monitoring system. There is an advisory system within the project monitoring system that notifies management of compliance issues with safeguards covenants. Monitoring data from individual projects is collated and analysed by each operational department. Performance on safeguards implementation is routinely reviewed by the management and reported to the President, the highest authority of the organization. Safeguard monitoring reports are prepared for individual projects, and are publically available through the applicant's website.

#### 2.2.6 **Section 6.6: External communications**

30. The applicant also demonstrates a functioning external communication system, and inquiries, complaints or issues are registered and duly responded to. A project complaints tracking system has been set up, based on the applicant's accountability mechanism policy. The applicant has a public communications policy and operations manual that guide institutional efforts on transparency, disclosure, and exchange of information.

## 2.3 Gender

31. The applicant has a mature gender policy, and has developed an operational plan for gender equality and women's empowerment that provides an operational road map for implementing the applicant's gender policy.

2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

32. The applicant has a gender policy and has provided evidence of its competency to implement it. It has gender experts working at its headquarters as well as in its national offices. A community of gender specialists has also been established across departments, and plays an active role in promoting gender mainstreaming in the applicant's operations and knowledge exchange.

2.3.2 **Section 7.2: Demonstration of experience with gender and climate change**

33. The applicant has demonstrated experience in applying gender approaches, including in climate change programmes. It has also demonstrated the application of its gender policies in various infrastructure projects.

### III. Conclusions and recommendation

#### 3.1 Conclusions

34. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes as follows in relation to the application:

- (a) The applicant fully meets the requirements of the Fund's basic fiduciary standard, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending;
- (b) APL005 fully meets the requirements of the Fund's interim ESS in relation to the high E&S risk (Category A/I-1); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

#### 3.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, the applicant APL005 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** Large;<sup>5</sup> (including micro, small, and medium);
  - (ii) **Fiduciary functions:**<sup>6</sup>
    - 1. Basic fiduciary standard;
    - 2. Specialized fiduciary standard for project management;

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<sup>5</sup> As per Annex I to decision B.08/03, "large" is defined as: 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".

<sup>6</sup> Decision B.07/02.

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3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (iii) **Environmental and social risk category:** High risk (Category A/I-1)<sup>7</sup> (including lower risk (Category B/I-2 and Category C/I-3));
- (b) **Conditions:**
- (i) None.
36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 35 above, and agrees to the recommendation.

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<sup>7</sup> As per Annex I to decision B.07/02, Category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and Intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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## Annex IX: Accreditation assessment of Applicant 006 (APL006)

### I. Introduction

1. Applicant 006 (APL006) is an international organization that works together with its partners in developing countries in order to identify projects/programmes which promote sustainable development. With a development mandate that receives funding from both public and private sector organizations, the applicant's activities largely focus on climate change adaptation and mitigation activities. These activities include improving water supply, securing food provision, increasing energy efficiency, employing renewable energies and others. The applicant's climate finance activities include a range of financial instruments, including grants, loans, equity and guarantees. Building on its existing knowledge, experience and tools, the applicant seeks accreditation to the Green Climate Fund (the Fund) in order to develop projects and programmes, including the targeted mobilization of private finance through risk mitigation mechanisms, and the setting up of project development facilities and structured investment funds. The applicant seeks accreditation in order to expand and develop additional adaptation projects and programmes focused on ecosystem-based adaptation, natural hazard early warning systems, climate risk insurances as well as urban flood protection infrastructure.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 17 January 2015. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** International access;
- (b) **Track:** Fast-track under the Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO);
- (c) **Size of project/activity within a programme:** Large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standard;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms;
  - (iv) Specialized fiduciary standard for on-lending and/or blending;
- (e) **Environmental and social (E&S) risk category:** High risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per Annex I to decision B.08/03, "large" is defined as: "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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and Intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an EU DEVCO entity. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

4. As APL006 is eligible for, and applied under, the fast-track accreditation process as an EU DEVCO entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

5. As an entity eligible for, and which applied under, the fast-track accreditation process as an EU DEVCO entity, Section 4.2 with the exception of Item 4.2.5, Anti-money laundering and anti-terrorist financing policies, was not identified, as per decision B.08/03, as a gap to be addressed in the application for accreditation to the Fund.

6. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.5 is considered to have been met by way of the fast-track accreditation.

7. Regarding Item 4.2.5, the applicant provided its related policies and also provided its policy related to know your customer (KYC) due diligence and its mechanisms to trace/monitor electronic transfer/wiring of funds. The applicant utilizes standard software to analyze all transactions automatically. The applicant also provided sample copies of their reports on KYC due diligence.

#### 2.1.3 Section 5.1: Specialized fiduciary standard for project management

8. Project preparation, appraisal, as well as monitoring and evaluation guidelines and procedures are mature and well established across the applicant's operations. APL006 undertakes a detailed and comprehensive assessment of the types of risks that it faces during the project identification and appraisal stages. It examines various aspects of the proposed projects, including technical, financial, economic, legal, environmental, social and climate change aspects. This practice has resulted in a good track record for the applicant, as further evidenced by a sample of project appraisals undertaken in the past three years.

9. The financial statements provided demonstrate that financial inputs and outputs are properly accounted for, reported, and administered transparently in accordance with prevailing regulations and laws, and with due accountability. The documented practice of recording project objectives, outcomes and key performance indicators is in-line with its procedures and guidelines as well as being appropriate for large-scale projects.

10. The applicant has a strong capacity to oversee project performance during implementation and operations and the risks that might arise, to regularly assess project expenditures, as well as to monitor and identify opportunities for improving project performance against its budget and timelines. Furthermore, the applicant provided sufficient information on project monitoring and quality control processes.

#### 2.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

11. As APL006 is eligible for, and applied under, the fast-track accreditation process as an EU DEVCO entity, Section 5.2 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for grant award and/or funding allocation mechanisms in Section 5.2 is considered to have been met by way of fast-track accreditation.

#### 2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

12. The applicant provides on-lending or blended finance by raising capital funds and blending them with international donor funds. The funds that it raised on the capital markets are generally repayable by the project sponsor or promoter. By contrast, international donor funds are typically non-repayable and are used as a concessional/subsidy element to adjust the financing conditions within a particular blending/on-lending financing operation to the specific project needs. The need for international subsidy funds is assessed for each project as part of the project appraisal and is stipulated in the programme proposal to the international financial partner along with other assessment criteria.

13. The applicant has well-documented on-lending and blending policies, guidelines on on-lending and blending due diligence, and due diligence reports.

14. APL0006 provided detailed information on its project portfolio and recent projects. The project portfolio demonstrates sourcing from a number of international and multilateral funders and the use of various financing instruments, such as loans, equity and guarantees.

15. The financial management system, including development of the risk management strategies and preparation of the annual financial reports, is robust and well established. The applicant has a procedure in place in order to check whether its funds are channelled transparently and used effectively. Independent auditors regularly conduct audits of the funds to ensure compliance with the contractual agreements.

16. With the objective of providing transparency of information, the applicant publishes aggregated data for ongoing projects on its website.

## 2.2 Environmental and social safeguards

17. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category A/Intermediation 1 (I-1)). Entities that desire to undertake Category A/I-1 or lower risk (Category B/I-2 and Category C/I-3) type projects/programmes will be required to have an environmental and social management system (ESMS)<sup>4</sup> that is mature and documented, with a proven track record of managing these types of projects/programmes, and the full support of senior management. Required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

18. The applicant demonstrates a mature institutional capacity to anticipate and manage environmental and social safeguard (ESS) issues.

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<sup>4</sup> An ESMS is a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the adverse environmental and social impacts of its activities and maximize any potential environmental and social benefits in a consistent way and to improve the environmental and social standing of the organization and its activities over time. Refer to decision B.07/02 for more details.

### 2.2.1 **Section 6.1: Policy**

19. The applicant has a mature and comprehensive E&S policy that was endorsed by its executive board and which governs all of its operations and activities.
20. ALP006 additionally has sustainability guidelines at the institutional level, which are specific to its development-related activities. The institution-level guidelines, including a sustainability mission statement, sustainability principles and an overview of the sustainability management system.

### 2.2.2 **Section 6.2: Identification of risks and impacts**

21. The applicant's practices of identifying E&S risks and impacts for its activities is in line with its E&S and climate appraisal guidelines.
22. APL006 applies a checklist approach to project appraisal and the identification of E&S risks and impacts. The checklist is considered to be consistent with the requirements of the Fund's interim ESS. The applicant presented several examples of climate change mitigation project activities, which demonstrated that the guidelines addressing E&S risk and impact identification are implemented, projects are appropriately screened and their E&S risks are categorized against the E&S risk criteria through the use of the applicant's checklist.

### 2.2.3 **Section 6.3: Management programme**

23. The applicant has established an institutional management programme in order to track and manage risks that have been identified during the preparation and appraisal of projects. The structure and procedures related to the management programme are contained within the sustainability guidelines applied to the institutional level and related to the applicant's development activities.

### 2.2.4 **Section 6.4: Organizational capacity and competency**

24. The applicant possesses a strong organizational capacity and competency in environmental and climate change related activities. The responsibility for the applicant's sustainability management systems across the institution lies with the Chief Executive Officer, who is supported operationally by an officer specific to environment and sustainability institutionally. Specific to the applicant's development activities, the applicant has a core group of staff that is headed by a sustainability officer and which includes E&S experts who have technical competency in the areas required by the Fund's interim ESS.

### 2.2.5 **Section 6.5: Monitoring and review**

25. The applicant maintains monitoring and review procedures for ESS both at the institutional and project levels. At the project level, procedures on the regular supervision and monitoring of development financing activities are applied. Based on environmental and social impact assessments for individual projects, protection and offsetting measures are defined and an overall monitoring programme is developed for each project.

### 2.2.6 **Section 6.6: External communications**

26. As a part of quality management at the institutional level, the applicant has established an in-house complaints management system that meets best practice standards for banks and service enterprises. The system defines principles, processes and quality standards, monitors compliance with these standards and offers support on resolving complaints. Individual complaints are handled on a decentralized level.

## 2.3 Gender

### 2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

27. To regulate gender-related issues across its operations, the applicant implemented an institutional gender strategy in 2005, which is periodically updated. The strategy provides for measuring the impact of the applicant's financial cooperation measures on improving gender equality. The gender strategy is supported by a policy that incorporates human rights, standards and principles, including gender, in programme proposals. The applicant also applies a gender equality guideline in order to identify the extent to which a project pursues the objective of promoting equality and women's rights. The applicant employs a gender specialist that is responsible for updating gender-related policies and procedures, as well as for providing training to personnel who conduct the analysis of gender specific issues within the project preparation and development processes.

### 2.3.2 **Section 7.2: Demonstration of experience with gender and climate change**

28. Evidence of the implementation of the applicant's gender policy was provided through a number of illustrative examples of climate change mitigation and adaptation projects in the areas of energy efficiency, renewable energy, agriculture and infrastructure, which contained specific references to women and men as project beneficiaries. The benefits include terms of employment, receipt of loans, including micro credit, as well as improving livelihoods.

## III. Conclusions and recommendation

### 3.1 Conclusions

29. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant fully meets the requirements of the Fund's Basic fiduciary standard, Specialized fiduciary standard for project management, Specialized fiduciary standard for grant award and/or funding allocation mechanisms, and Specialized fiduciary standard for on-lending and/or blending;
- (b) The applicant fully meets the requirements of the Fund's interim ESS in relation to the high E&S risk (Category A/I-1); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy, and has demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

30. The AP recommends, for consideration by the Board, the applicant (APL006) for accreditation as follows:



- (a) **Accreditation type:**
- (i) **Size of an individual project or activity within a programme:** Large<sup>5</sup> (including micro, small, and medium);
  - (ii) **Fiduciary functions:**<sup>6</sup>
    - 1. Basic fiduciary standard;
    - 2. Specialized fiduciary standard for project management;
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
  - (iii) **Environmental and social risk category:** High risk (Category A/I-1)<sup>7</sup> (including lower risk (Category B/I-2 and Category C/I-3));
- (b) **Conditions:**
- (i) None.
31. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 30 above, and agrees to the recommendation.

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<sup>5</sup> As per Annex I to decision B.08/03, “large” is defined as: 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”.

<sup>6</sup> Decision B.07/02.

<sup>7</sup> As per Annex I to decision B.07/02, Category A is defined as as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and Intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## Annex X: Accreditation assessment of Applicant 007 (APL007)

### I. Introduction

1. Applicant 007 (APL007) is an international organization with a strong global presence and mandate concentrated on development, with a focus on sustainable development, climate change and disaster resilience, and governance. The applicant works in partnership with entities, such as national governments, United Nations agencies, civil society organizations, and development banks, in order to support the coordinated delivery of financing to achieve transformational impact in the areas of mitigation and adaptation. Its work in adaptation covers all developing countries in all regions and includes a strong portfolio in least developed countries, small island developing States and African States. Adaptation activities include integrated climate change strategies, national adaptation plans, national planning and budgeting frameworks; cross-sectoral climate-resilient livelihoods; climate-resilient integrated water resource and coastal management; ecosystem-based adaptation; and climate-resilient energy and infrastructure. In mitigation, the applicant supports developing countries in order to create enabling environments for investment in mitigation technologies and land-uses at scale, with activities in: low-carbon energy access solutions (rural mini-grids, bio-energy and green charcoal supply chains), grid-connected renewables, energy efficient buildings and appliances, and reducing emissions from deforestation and forest degradation. Bringing with it, its experience in climate change mitigation and adaptation programming and its on-the-ground presence in developing countries, the applicant seeks accreditation to the Green Climate Fund (the Fund).

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 23 December 2014. Stage I, Institutional assessment and completeness check, and the Stage II (Step 1), Accreditation review, were concluded. The applicant applied to be accredited for the following parameters under the Fund's fit-for-purpose approach:

- (a) **Access modality:** International access;
- (b) **Track:** Fast-track under the Adaptation Fund;
- (c) **Size of project/activity within a programme:** Medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standard; and
  - (ii) Specialized fiduciary standard for project management;
- (e) **Environmental and social (E&S) risk category:** Medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

<sup>1</sup> As per Annex I to decision B.08/03, "medium" is defined as: "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".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per Annex I to decision B.07/02, Category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and Intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as an Accredited Entity of the Adaptation Fund. Its application has been assessed against the Fund's standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decision B.08/03.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standard: Key administrative and financial capacities

4. As APL007 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the basic fiduciary standard concerning key administrative and financial capacities in Section 4.1 is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standard: Transparency and accountability

5. As an entity eligible for, and which applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 4.2 with the exception of Item 4.2.4, Investigation function, was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund.

6. The basic fiduciary standard concerning transparency and accountability in Section 4.2 for items other than Item 4.2.4 is considered to have been met by way of fast-track accreditation.

7. Regarding Item 4.2.4, the investigation function was assessed and found to fully meet the requirements under the standard. The applicant has a comprehensive process by which to address cases of an investigative nature with expert support provided centrally across the wide reach of the institution. Where compliance reviews have been undertaken by the central compliance unit, a corporate administrator decides on any potential corrective actions that may be required. Its investigation procedures are in place and the related information is publicly available on its website.

#### 2.1.3 Section 5.1: Specialized fiduciary standard for project management

8. As APL007 is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund-accredited entity, Section 5.1 was not identified, as per decision B.08/03, as a gap to be addressed by the applicant in its application for accreditation to the Fund. Therefore, the specialized fiduciary standard for project management in Section 5.1 is considered to have been met by way of fast-track accreditation. Its investigation procedures are in place and the related information is publicly available on its website.

9. It is noted that the applicant is well recognised for its project management capacity and its project involvement in many countries worldwide.

#### 2.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms

10. The applicant did not apply for assessment against this standard at this time.

## 2.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending**

11. The applicant did not apply for assessment against this standard at this time.

## 2.2 Environmental and social safeguards

12. The applicant indicated in its application that it is applying for assessment against the environmental and social risk (Category B/Intermediation 2 (I-2)). Entities that desire to undertake Category B/I-2 or lower risk (Category C/I-3) type projects/programmes are required to have an environmental and social management system (ESMS)<sup>4</sup> and documented, with a proven track record of managing these types of projects/programmes, and the full support of senior management. The required elements of the institutional ESMS are requested in Items 6.1 to 6.6 of the application.

13. The applicant has over-arching E&S policies and principles, including well-developed E&S standards. The E&S standards include project-level standards substantively consistent and comparatively stringent with the Fund's interim environmental and social safeguards (ESS). The applicant further states that it will not support activities that do not comply with national law and obligations under international law.

14. The AP recognizes that while the applicant is applying for Category B/I-2, it has further developed its institutional policies and procedures in relation to managing higher risk projects and programmes (Category A/I-1). As the applicant develops its ESS experience, it might consider at a future date to seek accreditation against Category A/I-1.

15. Regarding awareness of the public, development of the policies and procedures of the applicant has benefited greatly from a public comment period. A portal on the website is available for the public to view information on previous and future consultation opportunities related to E&S policy and standards.

16. All of the key policy documents are also available publically on its website.

### 2.2.1 **Section 6.1: Policy**

17. A comprehensive E&S policy is in place and is implemented through processes and procedures. The policy is periodically revised and is approved by senior management prior to being implemented. It is widely communicated throughout the institution.

### 2.2.2 **Section 6.2: Identification of risks and impacts**

18. The applicant has a social and environmental screening procedure in order to guide staff in the identification of the E&S risks and impacts of projects, determine the potential level of significance of such risks and impacts, assign an overall risk category to the project, and recommend appropriate assessment and management measures. The procedure defines high, moderate or low as social and environmental risk categories. While these categories are not exactly identical to the Fund's scaled risk-based categories, they are comparable. The applicant is able to identify risks and impacts in respect of the Fund's interim ESS.

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<sup>4</sup> An ESMS is a set of management processes and procedures that allow an organization to identify, analyze, control and reduce the adverse environmental and social impacts of its activities and maximize any potential environmental and social benefits in a consistent way and to improve the environmental and social standing of the organization and its activities over time. Refer to decision B.07/02 for more details.

### 2.2.3 **Section 6.3: Management programme**

19. The applicant has a comprehensive institutional process for managing mitigation measures and actions. It has a substantial project pipeline track record. It provides online project documentation on its website and on the websites of its national offices, including fact sheets and budgets.

### 2.2.4 **Section 6.4: Organizational capacity and competency**

20. The applicant has a large number of staff with technical competencies across the environmental and social disciplines. It has the capacity to address all matters pertaining to the Fund's interim ESS, including technical experts that can be drawn on in order to ensure the application of the diverse and comprehensive E&S policy. All of the applicants' offices are required to ensure that essential functions related to the implementation of the ESS (including oversight and support) are embedded in the terms of reference and work plans for units and individuals that have a role to play. The applicant has a support programme with trained focal points, which provides support to all its offices (in and out of country) in order to ensure the successful implementation of its E&S requirements. In this regard it demonstrates its capacity to leverage skills in order to fully manage its ESMS.

### 2.2.5 **Section 6.5: Monitoring and review**

21. While the E&S policy and related procedures clarify specific roles and responsibilities for implementation, accountability for its implementation falls under the applicant's internal umbrella control framework. This includes the delegation of authority. This framework clearly defines staff member roles so as to facilitate the achievement of its goals and provides accountability for its activities, including compliance with applicable internal policies.

### 2.2.6 **Section 6.6: External communications**

22. The external communications function is managed by a focal point in the centralized project support function and is responsible for supporting national-level grievance redress processes through advice, and by maintaining a database of effective dispute resolution professionals. Moreover, the support function provides a corporate window for receiving requests and conducts the dispute resolution process when it cannot be done impartially and/or effectively at the national level. Finally, the support function also liaises with a compliance unit, which oversees compliance at a corporate level.

## 2.3 Gender

23. The applicant has a well-developed gender strategy. Gender equality and the empowerment of women are at the heart of its development mandate. It recognizes gender mainstreaming as an important way of ensuring the success and sustainability of climate projects and policies.

### 2.3.1 **Section 7.1: Demonstration of competencies, policies and procedures to implement the gender policy for the Green Climate Fund**

24. The applicant has a documented strategy, which provides detailed guidance for all of its business units on how to operationalize this commitment. Moreover it has identified strategic entry points in order to ensure that a gender mainstreaming is implemented across all aspects of its strategic plan.

### 2.3.2 Section 7.2: Demonstration of experience with gender and climate change

25. The applicant has fully demonstrated its experience and track record in its gender-based financing initiatives and publishes information thereon, which is readily accessible on its website.

## III. Conclusions and recommendation

### 3.1 Conclusions

26. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant fully meets the requirements of the Fund's basic fiduciary standard and Specialized fiduciary standard for project management;
- (b) The applicant fully meets the requirements of the Fund's interim ESS in relation to the medium E&S risk (Category B/I-2). The applicant demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for Category B/I-2 against which the applicant is seeking accreditation. Building its experience in implementing higher risk projects and programmes, APL007 may, in the future, seek accreditation against the high E&S risk (Category A/I-1); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has also demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, the applicant (APL007) for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** Medium<sup>5</sup> (including micro and small);
  - (ii) **Fiduciary functions:**<sup>6</sup>
    1. Basic fiduciary standard; and
    2. Specialized fiduciary standard for project management;
  - (iii) **Environmental and social risk category:** Medium risk (Category B/I-2)<sup>7</sup> (including lower risk (Category C/I-3));

<sup>5</sup> As per Annex I to decision B.08/03, "Medium" is defined as: 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".

<sup>6</sup> Decision B.07/02.

<sup>7</sup> As per Annex I to decision B.07/02, Category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and Intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number



(b) **Conditions:**

(i) None.

28. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 27 above, and agrees to the recommendation.

## **Annex XI: Considerations for legal and formal arrangements with accredited entities**

### **I. Form of agreement**

1. The legal and formal arrangements with accredited entities is first and foremost a reflection of the successful accreditation by the Board and completion of the accreditation review process. This process is based on the fit-for-purpose accreditation approach, approved by the Board in decision B.08/02. 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. For this reason, the Fund cannot develop a “one size fits all” legal and formal arrangement. A distinction will have to be made between various types of entities and their type of accreditation.
2. Depending on the type of Accredited Entity, the relationship between the Fund and such an entity would take the form of either a legal agreement (contract governed by private law) or a legal arrangement (arrangement governed by international public law). A contract is typically entered into with a private-sector entity or state-owned enterprise, or takes the form of a legal arrangement with another international organization (e.g. United Nations organization, multilateral development banks or international financial institutions). In this document, the term agreement or contract will be used and includes for the purpose of this document any other form of legal arrangement.
3. The Fund intends to standardize the legal documents where possible and develop general conditions applicable to all grants and loans. It will take precedents of other climate funds into account, bearing in mind the different, paradigm shift, nature of the Fund, as well as lessons learned by implementing entities and those other climate funds. It is also proposed that the legal documents be developed in consultation with the accredited entities, so that their concerns can be addressed at an early stage and the Fund can benefit from their experience of working with other funds.
4. In view of the fit-for-purpose accreditation, the Fund intends to develop a number of standardized templates over time in order to reflect, among other matters, the type of accreditation and the nature of the Accredited Entity’s activities.

### **II. Structure of agreement**

5. Upon accreditation, it is proposed that the Fund shall enter into an accreditation master agreement (AMA) with the Accredited Entity, which shall set out the general terms and conditions of the services to be rendered by the entity for the Fund under its accreditation.
6. Upon the Board’s approval of a specific project or programme activity, it is then proposed that the Fund and the Accredited Entity shall enter into a concise project confirmation, a form of which shall be attached to the AMA, which sets out the specifics of the approved project or programme activity.

### **III. Contents of accreditation master agreement**

7. The AMA containing general terms and conditions may include, but shall not be limited to, the following provisions, depending also on the scope of accreditation and the fit-for-purpose approach
  - (a) Definitions;

- (b) Term of contract;
- (c) Conditions precedent;
- (d) Project/programme pipeline preparation;
- (e) Use of accredited entities' standard forms of loan, grant and other agreements;
- (f) Procedures for stakeholders' input;
- (g) Involvement of national designated authority (NDA)/focal point; condition for approving project and disbursing funds will be NDA/focal point no-objection;
- (h) Project cycle, including internal approval processes;
- (i) Procedure for project confirmations;
- (j) Adherence to guidelines from the Fund, including the fiduciary standards and the environmental and social safeguards. This is part of the accreditation process and needs to be confirmed in the AMA. Any conditions, requirements or recommendations from the Accreditation Panel and adopted by the Board would need to be reflected;
- (k) Applicability of policies decided by the Board relevant to the operations of the Fund, including the role of accredited entities, reporting and evaluation;
- (l) Disbursement of funds and fees, including reflow of funds provided but not disbursed;
- (m) Fiduciary standards, such as applicable "know your client", anti-money laundering, countering financing of terrorism, anti-corruption, and other fraudulent practices and sanction regulations, including the right to instruct the Accredited Entity to seek restitution of misused funds under certain circumstances for breach of fiduciary standards;
- (n) Conflicts of interest;
- (o) Administration, record keeping and reporting requirements, including of project/programme indicators required for the Fund's results management framework;
- (p) Periodic reviews/spot checks by the Secretariat, the Evaluation Unit and the Integrity Unit, including access to documents, data, premises and project locations, subject to applicable privileges and immunities;
- (q) Cooperation between the Integrity Unit and the integrity unit of the Accredited Entity;
- (r) The right of the Fund to revise, suspend or revoke accreditation or amend the applicable terms and conditions on the basis of the outcome of the periodic or ad hoc review;<sup>1</sup>
- (s) Events of default;
- (t) Remedies in the event of default, including suspension of payments, termination of contract, liability for costs and damages and repayment of funds;
- (u) Evaluation after termination/implementation of a project or programme activity;
- (v) Gender issues, reflecting the relevant Board decision;
- (w) Branding;
- (x) Ownership of equipment, industrial property rights;
- (y) Notices/communication;

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<sup>1</sup> The Board is to develop a Monitoring and Accountability Framework for accredited entities (Decision B.08/02 (e)) in the course of 2015, the outcome of which will be part of the AMA. Reference thereto should already be made in the AMA at this stage.

- (z) Confidentiality/(Interim) disclosure policy, AMA and each project confirmation to be made publically available, omitting any information that is deemed sensitive by the Accredited Entity;
- (aa) Cooperation with the Redress Mechanism;
- (bb) Mutual, if applicable, privileges and immunities;
- (cc) Applicable law: for AMAs with private-sector entities and state-owned enterprises, a specific law is to be applied. For arrangements with international organizations, international public law is the preferred law. In both cases the laws of the relevant host country are to be respected;
- (dd) Dispute resolution; and
- (ee) As an annex, the form of project confirmation.

#### **IV. Contents of project confirmation**

8. The project confirmation will set out specifics for a specific project or programme activity and will be executed upon Board approval of the specific project or programme activity. The project confirmation will be produced based on, and at the time of, Board approval.

## **Annex XII: Terms of reference of the independent Technical Advisory Panel**

### **I. Role and mandate**

1. The independent Technical Advisory Panel (the Panel) will provide independent technical assessment of, and advice on, funding proposals for the Board.
2. The Panel will conduct technical assessments of funding proposals submitted through the Secretariat by accredited entities of the Fund at the analysis and recommendations to the Board stage of the Fund's project and programme activity cycle. This will be done in accordance with the Fund's initial proposal approval process, and in order to provide objective technical advice on funding proposals for the Board.
3. The Secretariat will engage the Panel on all funding proposals, in particular the medium and large funding proposals. This shall not prejudice the proposed simplified processes for the approval of certain activities, in particular small-scale activities that are planned to be discussed at the tenth meeting of the Board.
4. The Panel will operate as an independent technical advisory body of the Fund. The Panel and its members will be bound by these terms of reference (TOR) as well as by any relevant policies and procedures of the Fund, including the policy on ethics and conflict of interest for external members serving on panels, sub-committees and working groups of the Board. The Rules of Procedures of the Board, as well as any other relevant rules and guidelines to be adopted by the Board, will apply *mutatis mutandis* to the Panel.
5. The Panel will independently assess the performance of the funding proposals submitted to the Fund against the Fund's activity-specific criteria in accordance with the initial investment framework.
6. The Panel, in the conduct of its technical assessment of funding proposals, will be provided with the final funding proposal; the Secretariat's assessment of compliance with safeguards, policies and performance of the project or programme against activity-specific criteria; and other necessary information that may reasonably be requested from the Secretariat. As needed, the Panel may seek inputs from stakeholders.
7. Upon decision by the Board, the Panel may expand its mandate in the future in order to provide strategic insights and share lessons learned.
8. An open and transparent process for selection of Panel members will be launched immediately after the Board adoption by the Board of the terms of reference of the Panel.

### **II. Reporting**

9. Pursuant to this mandate, and in accordance with stage IV of the Fund's project and programme activity cycle (Annex VII to decision B.07/03, *Initial Proposal Approval Process*), the Panel's advice will be submitted to the Board by the Secretariat as part of the documentation pertaining to the funding proposal. The advice provided by the Panel will consist of the outcome of its independent technical assessment and its recommendation on each funding proposal that it considers.
10. Upon request by the Board, the Panel may be invited to report orally to the Board at future Board meetings.

### III. Composition and structure

11. The Panel will comprise six members: three from developing countries and three from developed countries, with gender balance. The Panel will nominate its Chair. On a case-by-case basis, members of the Panel may call additional experts if the need for specialized knowledge arises, as deemed necessary and in consultation with the Secretariat. When this occurs, the required expert will be procured and selected by the Secretariat in consultation with the Panel and will be contracted by the Secretariat on behalf of the Fund as an external consultant. Furthermore, a roster of experts in major mitigation and adaptation areas will be established over time.

12. The Panel's collective expertise will cover a range of specialties related to adaptation, mitigation, the private sector, financing, development and implementation of projects in developing countries. Familiarity with guidance stemming from the United Nations Framework Convention on Climate Change, the Intergovernmental Panel on Climate Change, other relevant processes and an understanding of governance issues (e.g. public financial management, political economy, etc.) is desirable.

13. Panel members and expert members will, therefore, demonstrate recognized capacity and expertise in their fields of competency as it pertains to the Fund's initial result areas, supported by a successful career track record.

14. Each Panel member and expert member will have to have demonstrated unquestionable personal reputation, integrity and ethical behaviour throughout his or her professional career.

15. Members of the Panel will be procured, selected and nominated by the Investment Committee, with the support of the Secretariat, for endorsement by the Board soon thereafter.

16. The endorsed Panel members will enter into a consultancy contract with the Fund for a term of three years, with the possibility of renewal. The Executive Director of the Fund may, in consultation with the Ethics and Audit Committee, terminate the consultancy contract with a Panel member in cases of unethical behaviour, negligence of duties, or any other breach of his or her obligations thereunder, whereupon his or her term as Panel member will terminate automatically.

### IV. Modalities of work

17. The Panel will conduct its review of funding proposals remotely, unless exceptional circumstances necessitate physical meetings. The dates and timelines for reviews will be determined by the Secretariat in accordance with the initial proposal approval process, and aim to not exceed two weeks. A summary of each completed technical assessment will be made available on the Fund's website, subject to the Fund's information disclosure policy.

18. The Secretariat will provide the necessary operational and administrative support to the Panel.

### V. Compensation

19. A fee will be paid to Panel members and expert members in accordance with the Fund's rules and regulations, subject to the terms of their consultancy contracts. The time required per month for review of funding proposals will be determined in consultation with the Secretariat.

## **VI. Conflict of interest<sup>1</sup> and confidentiality**

20. A conflict of interest arises when a Panel member has an interest, which may include but is not limited to a financial interest that could, or could be deemed to, improperly influence the performance of his or her official duties or responsibilities as a Panel member. A conflict of interest applies to, among others, Panel members who hold positions in government or non-governmental organizations, or who are working in, or have any contractual arrangement as consultants or otherwise with, an Accredited Entity of the Fund or an executing entity.

21. All actual or potential conflicts of interest, or the appearance thereof, shall be immediately disclosed in writing to the Fund's Integrity Unit.

22. It is the duty of the Integrity Unit to review these disclosures promptly and to decide whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which the Panel member in question may participate in any discussion of the issue that has given rise to the conflict.

23. When the Integrity Unit determines that an actual or potential conflict of interest exists, the Panel member shall not participate in the matter that has given rise to the conflict absent a waiver from the Integrity Unit. The waiver may be designed to allow for any level of participation that the Integrity Unit deems appropriate. Until the Integrity Unit is established, the Office of the General-Counsel will perform the duties of the unit in the interim.

24. Furthermore, at the time of appointment, all Panel members will sign the oath contained in the Appendix to the TOR.

25. Panel members shall adhere to the Policy on Ethics and Conflict of Interest for external members serving on Panels, Sub-Committees and Working Groups of the Board, as may be amended from time to time.

26. Panel members shall adhere to the Fund's information disclosure policy, as may be amended from time to time, including in respect of the treatment of confidential information.

## **VII. Revision and termination of the terms of reference of the Panel**

27. The Board may revise these TOR as necessary, and upon the advice of the Investment Committee, in order to incorporate lessons learned and to reflect the evolving technical needs of the Fund.

28. The mandate of the Panel may be revised or terminated by the Board, if deemed necessary.

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<sup>1</sup> Conflict of interest provisions reflect the draft Policy on Ethics and Conflict of Interest for external members serving on Panels, Sub-Committees and Working Groups of the Board which will also apply to members of the Panel.

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## Appendix: Oath to be taken by the members of the independent Technical Advisory Panel<sup>1</sup>

“I solemnly declare that I shall perform my duties as a member of the independent Technical Advisory Panel (the Panel) of the Green Climate Fund (the Fund), honourably, faithfully, impartially and conscientiously.

I further solemnly declare and promise that I shall disclose any financial interest or any other real or perceived conflict of interest in the review and consideration of funding proposals submitted to the Panel and, in general, in any other matter in connection with the fulfilment of the mandate of the Panel.

I shall refrain from participating in the consideration of funding proposals or policy discussions where any financial interest or any other real or perceived conflict of interest may arise, or where any personal circumstance might be incompatible with the requirements of integrity and impartiality expected from a member of the Panel.

I solemnly declare that I accept and will be bound by the Policy on Ethics and Conflict of Interest for external members serving on Panels, Sub-Committees and Working Groups of the Board.

Subject to my responsibilities to the Panel, I shall not disclose, even after the termination of my functions, any confidential or proprietary information which is transferred to the Board, the Investment Committee, the Panel or the Secretariat, or any other confidential information coming to my knowledge by reason of my duties for the Panel.”

Full name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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<sup>1</sup> This oath is meant to reflect the oath attached to the draft Policy on Ethics and Conflict of Interest for external members serving on Panels, Sub-Committees and Working Groups of the Board.

## Annex XIII: Gender policy for the Green Climate Fund

### I. Background

1. The Governing Instrument gives the Fund a clear mandate to enhance a gender sensitive approach in its processes and operations. It recognizes the importance of gender considerations in terms of impact and access to climate funding:

*“3. ... The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach”.*

*“31. The Fund will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects”.*

2. Paragraph 71 lists women explicitly amongst the Fund’s stakeholders. Finally, the Governing Instrument calls for gender balance among Board members (paragraph 11) and staff of the Secretariat (paragraph 21).

3. The Fund’s gender policy is guided by the United Nations Framework Convention on Climate Change (UNFCCC), which refers in its Article 2 to “anthropogenic interference” – interference of both men and women – within the climate system. (Parties to the UNFCCC have adopted a number of resolutions on gender since 2001).<sup>1</sup> The Fund’s gender policy is congruent with international agreements, in particular with the Universal Declaration of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women,<sup>2</sup> the Millennium Development Goals<sup>3</sup> and follows up on the sustainable development goals,<sup>4</sup> and the International Labour Organization’s core conventions,<sup>5</sup> in that it recognizes the equal rights of women and men to access the Fund’s services in order to adapt to and mitigate against the impact of climate change.

4. Key gender definitions are listed below:

- (a) **Gender:** Refers to how societies and specific cultures assign roles and ascribe characteristics to men and women on the basis of their sex;
- (b) **Gender equality:** As enshrined in international agreements and national constitutions, refers to equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of the interests, needs and priorities of women and men; gender equality therefore entails that society values men and women and the roles they play equally;
- (c) **Gender equity:** Refers to the process of being fair to women and men. To ensure equity, measures often need to be taken to compensate for (or reduce) disparity for historical

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<sup>1</sup> Women’s Environment & Development Organization and the Global Gender and Climate Alliance, “Gender equality and the United Nations Framework Convention on Climate Change: A compilation of decision text”. Available from <<http://www.wedo.org/wp-content/uploads/united-nations-web.pdf>>.

<sup>2</sup> See <<http://www.un.org/womenwatch/daw/cedaw/cedaw.htm>>.

<sup>3</sup> See <<http://www.un.org/millenniumgoals/bkgd.shtml>>; and United Nations Economic and Social Council, “Challenges and achievements in the implementation of the Millennium Development Goals for women and girls (E/CN.6/2014/L.7).

<sup>4</sup> See <<http://sustainabledevelopment.un.org/index.php?menu=1300>>.

<sup>5</sup> See <<http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>>.

and social disadvantages that prevent women and men from otherwise operating on an equitable basis. Equity, therefore, leads to equality; and

- (d) **Gender sensitivity:** Refers to the understanding of the ways in which people think about gender and the sociocultural factors underlying gender inequality, and how they might be addressed. Gender sensitivity implies a consideration of the potential contribution of women and men to societal changes as well as the methods and tools used to: promote gender equity, reduce gender disparities, and measure the impact of climate change and other development activities on men and women.

## II. Rationale

5. There are three compelling reasons for the Fund's mandate on gender sensitivity:
- (a) Women, as well as men significantly contribute to combating climate change. Shifting the paradigm towards low-emission and climate-resilient development pathways, which is the Fund's mandate, requires a large number of individual and collective decisions by women and men. A gender-sensitive approach is therefore part of a paradigm shift;
- (b) Climate change impacts women and men differently, to the detriment of women, and existing gender inequalities are likely to be exacerbated by climate change;<sup>6</sup> and
- (c) Gender inequality, exacerbated by climate change, is linked, as are other development areas, to vulnerability and risks.<sup>7</sup> The greater vulnerability of women to climate change stems from gender norms and discrimination that result in the imbalanced division of labour, lower income, and lesser livelihood opportunities; less access and control over land and other productive assets; fewer legal rights; lesser mobility and lesser political and professional representation.<sup>8</sup>

## III. Objectives

6. The Fund's gender policy has four main objectives:
- (a) To ensure that by adopting a gender-sensitive approach, the Fund will achieve greater, more effective, sustainable, and equitable climate change results, outcomes and impacts, in an efficient and comprehensive manner in both its internal and external procedures and activities;
- (b) To build equally women and men's resilience to, and ability to address climate change, and to ensure that women and men will equally contribute to, and benefit from activities supported by the Fund;
- (c) To address and mitigate against assessed potential project/programme risks for women and men associated with adaptation and mitigation activities financed by the Fund; and,

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<sup>6</sup> GCF/B.06/13.

<sup>7</sup> These risks include gender violence during climate-related extreme events stemming from complex social behaviours between women and men. See Emma Fulu and others, *Why Do Some Men Use Violence against Women and How Can We Prevent It? Quantitative Findings from the United Nations Multi-country Study on Men and Violence in Asia and the Pacific* (Bangkok, United Nations Development Programme, United Nations Population Fund, United Nations Entity for Gender Equality and the Empowerment of Women, and United Nations Volunteers, 2013). Available from

<[http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/womens\\_empowerment/RBAP-Gender-2013-P4P-VAW-Report.pdf](http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/womens_empowerment/RBAP-Gender-2013-P4P-VAW-Report.pdf)>.

<sup>8</sup> GCF/B.06/13.

- (d) To contribute to reducing the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities.

## IV. Principles

7. The Fund's gender policy consists of the following six elements:

### 4.1 Commitment

8. By adopting a gender-sensitive approach in its mandate on climate change, the Fund commits to contributing to gender equality, as enshrined in international agreements and national constitutions, and other human rights agreements.<sup>9</sup>

9. The Fund thereby also commits to:

- (a) Understand the sociocultural factors underlying climate change-exacerbated gender inequality, and the potential contribution of women and men to societal changes in order to build resilience to, and the ability to address, climate change;
- (b) Adopt methods and tools to promote gender equality and reduce gender disparities in its climate funding; and
- (c) Measure the outcomes and impacts of its activities on women and men's resilience to climate change.<sup>10</sup>

### 4.2 Comprehensiveness, in scope and coverage

10. The Fund applies its gender policy to all its climate mitigation and adaptation activities, whether implemented by international, regional, national or subnational, public or private entities that are accredited to the Fund.

### 4.3 Accountability

11. The Fund accounts to its Board for gender and climate change results and outcomes, and reports annually in a transparent manner. Qualitative and quantitative gender monitoring, impact, and outcome indicators are included in the results management and performance measurement frameworks (GCF/B.08/07).

12. Through the accreditation process and taking into account the fit-for-purpose accreditation approach,<sup>11</sup> entities will be required to meet the Fund's gender policy. They will also be required to have policies, procedures and competencies in place with which to implement the Fund's gender policy. After accreditation, and at the project/programme level, the Accredited Entity will be responsible for implementing the gender policy as it relates to the Fund-approved project/programme through in-country project identification and

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<sup>9</sup> This approach takes into account equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of the interests, needs and priorities of women and men.

<sup>10</sup> "Resilience to climate change to be understood as (1) the capacity to absorb stresses and maintain function in the face of external stresses imposed upon it by climate change, and (2) adapt, reorganize and evolve into more sustainable socioeconomic behaviors, leading people to be better prepared for future climate change impacts". (See C. Folke, "Resilience: The emergence of a perspective for social-ecological systems analyses", *Global Environmental Change*, vol. 16 (2006) pp. 253–267; and Donald R. Nelson, W. Neil Adger and Katrina Brown, "Adaptation to environmental change: contributions of a resilience framework", *Annual Review of Environment and Resources* Vol. 32 (2007) pp. 395–419.)

<sup>11</sup> Decision B.08/02.

implementation, as well as for results reporting. The application of the Fund's guidelines on the initial socioeconomic and gender assessments and the Fund's environmental and social safeguards (ESS) as it relates to the project/programme<sup>12</sup> is mandatory.

13. Gender-related complaints and grievances that may occur in projects and programmes are processed through the Fund's redress mechanism.

14. The Fund's management and staff are accountable for gender results. This is reflected in the Fund's administrative policies and procedures, including human resource management and the procurement of contractors.

#### 4.4 Country ownership

15. The Fund informs national designated authorities (NDAs) and focal points (FPs) that proposed projects or programmes submitted to the Fund are required to be aligned with national policies and priorities on gender<sup>13</sup> and with the Fund's gender policy.

16. The Fund requires that women and men be provided with equitable opportunity to be included in stakeholder consultations and decision-making during project and programme preparation, implementation<sup>14</sup> and evaluation.<sup>15</sup>

#### 4.5 Competencies<sup>16</sup>

17. The Fund strives to reach gender balance in key advisory and decision-making bodies, including in the appointments of its Board members and Secretariat management and staff. The Secretariat also will appoint a senior staff member(s) with competencies in gender and social development in order to lead the implementation of the policy; the senior staff members(s) will report to the head of accreditation within the Secretariat. In addition, the Secretariat strives for the relevant gender and climate change competencies to be included in the Accreditation Panel,<sup>17</sup> the Investment Committee, the Risk Management Committee and the Private Sector Advisory Group,<sup>18</sup> as well as amongst technical advisers.<sup>19</sup>

18. The Fund's accreditation process<sup>20</sup> and fit-for-purpose approach<sup>21</sup> recognize that there is a wide range of types of organizations and institutional capacities. In the accreditation process, entities will be required to have policies, procedures and competencies in place in order to implement the Fund's gender policy.

19. NDAs/FPs and entities may request readiness and preparatory support from the Fund<sup>22</sup> so as to enhance their capacity to implement the gender policy.

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<sup>12</sup> GCF/B.07/03, paragraph 20.

<sup>13</sup> Many countries have national and sector gender policies (e.g. for energy, water, forestry and climate change), but relatively few have gender and climate change policies.

<sup>14</sup> GCF/B.07/03.

<sup>15</sup> GCF/B.06/06.

<sup>16</sup> Competencies are defined as a set of skills, knowledge, and behaviours acquired from training and experience, that allow individuals and organizations to perform a specific role or task.

<sup>17</sup> Annex V to decision B.07/02, Annex V, where gender is listed as an aspect within the Fund's ESS.

<sup>18</sup> GCF/B.05/13 and GCF/B.06/18, Annex I, paragraph II.

<sup>19</sup> GCF/B.07/11, Annex I, paragraphs 54-56.

<sup>20</sup> Decision B.07/02.

<sup>21</sup> Decision B.08/02.

<sup>22</sup> Decision B.05/14 para (b): "(iii) Enable implementing entities and intermediaries to meet the Fund's fiduciary principles and standards, and environmental and social safeguards, in order to directly access the Fund", and document GCF/B.06/14.

20. The Fund commits to knowledge generation as experience is gained on gender and climate change. It also commits to capitalize on knowledge and expertise gained from other organizations. Such knowledge is to be used to strengthen the competencies of all stakeholders.

#### 4.6 Resource allocation

21. The Fund's resource allocation for adaptation and mitigation projects and programmes contributes to gender equality and women's empowerment. The Fund seeks to ensure that its projects and programmes support initiatives addressing the inequity of climate change impacts and to provide gender-sensitive solutions to climate change mitigation, adaptation or readiness. When it is necessary to correct for climate change-exacerbated gender inequality which affects women, the Fund will target funds to support women's climate change adaptation and mitigation initiatives.

### V. Implementation framework

22. The Fund adopts a gender action plan in order to implement its gender policy. The plan includes six priority areas as follows:

- (a) Governance and institutional structure;
- (b) Operational guidelines;
- (c) Capacity building;
- (d) Outputs, outcomes, impacts and paradigm-shift objectives used for monitoring, reporting and evaluation;
- (e) Resource allocation and budgeting; and
- (f) Knowledge generation and communications.

23. The proposed duration of the gender action plan is three years, in order to allow the Fund to get activities off the ground and then assess the implementation after this three-year period. Subsequently, the duration of the gender action plan is expected to align with the Fund's business cycle.

### VI. Review and revisions

24. The Fund is a nascent, growing and learning institution. As experience is gained and lessons are learned in the implementation of the gender policy in the Fund's activities and operational modalities – including activities with the private sector – the Fund will be able to adjust its policies, processes, procedures, and project and programme design. In the light of this, the Fund will review its gender policy after three years of being operational.

## Annex XIV: Gender action plan 2015–2017

1. The purpose of the gender action plan is to provide a time-bound framework within which to operationalize the gender policy. Implementation of the gender action plan will provide the Fund and all implementation partners, public or private, with the tools and processes in order to achieve gender sensitivity in all areas within the Fund’s mandate. It will also provide the Board with the necessary information to exercise its oversight responsibility for the Fund’s gender policy as mandated by the Governing Instrument.
2. The gender action plan is structured into six priority areas and details the implementation actions required for each priority area.

### I. Governance and institutional structure

3. The overall implementation of the gender policy will be the responsibility of all components of the Fund’s operational structure and of the national designated authorities (NDAs). The main operational responsibility for the implementation of the gender policy will be with the accredited entities (AEs), including implementing entities (IEs) and intermediaries.
4. The Board approves the gender policy and will oversee the implementation of the action plan, at least once per year, through the review of periodic monitoring reports from the Secretariat, impact evaluation reports from the Evaluation Unit and reports from the redress mechanism. The Secretariat will undertake its due diligence for the implementation of the gender policy through the accreditation of IEs and intermediaries, and the project approval and monitoring process. Furthermore, it will report to the Board on the progress made towards implementing the policy and action plan. A senior social development and gender specialist will be appointed within the Country Programming Division, with operational responsibility to manage the implementation of the gender policy and action plan.<sup>1</sup>
5. The NDAs will verify through the no-objection procedure that project proposals are aligned with the countries’ gender policies, as well as with their climate change policies and priorities. The Fund will expect that the NDAs use, as appropriate, the countries’ gender competencies in order to review their climate change plans, programmes and projects.
6. Through the accreditation process, and taking into account the fit-for-purpose accreditation approach,<sup>2</sup> entities will be required to have policies, procedures and competencies in place in order to implement the Fund’s gender policy. After accreditation and at the project/programme level, the Accredited Entity will be responsible for implementing the gender policy as it relates to the Fund-approved project/programme, through in-country project identification and implementation, as well as for results reporting. Entities may request readiness and preparatory support from the Fund in order to develop and/or strengthen their policies, procedures and competencies to meet the requirements of the Fund’s gender policy.

### II. Operational guidelines

7. The policy will be implemented throughout the Fund’s administrative<sup>3</sup> and operational processes. Guidelines will be issued for the benefit of external partners: NDAs and AEs. The

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<sup>1</sup> The gender specialist will consider establishing a formal partnership with an advisory group of experts on gender and climate change in order to enrich the implementation of the gender policy.

<sup>2</sup> Decision B.08/02.

<sup>3</sup> The Administrative Manual will specify the Fund’s internal accountability structure and processes for gender results, including the staff’s annual performance review.

guidelines will apply to all activities, including private sector activities, and to the Fund's project/activity cycle described in document GCF/B.07/03. Core elements will include:

- (a) A mandatory initial socioeconomic and gender assessment, complementary to the environmental and social safeguards (ESS) process, which accredited entities AEs will be required to undertake in order to collect baseline data, and to:
    - (i) Determine how the project/programme can respond to the needs of women and men in view of the specific climate change issue to be addressed;
    - (ii) Identify the drivers of change and the gender dynamics in order to achieve the project/programme adaptation or mitigation goals;
    - (iii) Identify and design the specific gender elements to be included in the project/programme activities;
    - (iv) Estimate the implementation budgets;
    - (v) Select output, outcome and impact indicators; and
    - (vi) Design project/programme implementation and monitoring institutional arrangements;
  - (b) Gender equitable stakeholders' consultations with the gender parameters provided in the policy;
  - (c) Inclusion of gender perspective in the application of the mandatory project/programme social and environmental safeguards in line with project/programme-specific requirements of the Fund's ESS in accordance with decision B.07/02;<sup>4</sup> and
  - (d) Project screening for gender sensitivity at the various stages of the project preparation, appraisal, approval, and monitoring process, by the relevant bodies (NDAs, AEs, the Secretariat).
8. A large number of guidelines, toolkits and sourcebooks have already been published by a range of institutions. Rather than issuing similar tools, the Fund will review the existing stock of material and recommend the most relevant items to its partners to use.

### III. Capacity-building

9. Gender training will be provided for the Board and the Secretariat staff in order to build up the Fund's gender sensitivity. It is expected that the Fund will complement its own staff capacity with consultants, and that additional gender-competent staff will be recruited as its activities and staffing increase over time.
10. NDAs and entities may request readiness and preparatory support from the Fund related to gender training and capacity-building. They may also obtain gender training and capacity-building through their partnerships with other organizations (such as bilateral, multilateral and international organizations as well as NGOs).

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<sup>4</sup> The initial socioeconomic and gender assessment is recommended for the Fund to proactively build in a gender-sensitive approach to project planning design and implementation arrangements, by contrast to the Fund's ESS, which employs the conventional 'do no harm' approach in order to ensure that all project/programme potential environmental risks are addressed and that measures are identified to offset these risks.

## IV. Outputs, outcomes and impact indicators for monitoring and reporting purposes

11. Gender sensitivity has been applied to the Fund's initial results management framework (GCF/B.07/04) and further development document (GCF/B.08/07) for both adaptation and mitigation. Common to both adaptation and mitigation are the gender measurement of the climate change resilience of women and men, and of women and men's behaviours to sustain low-emission development.
12. To monitor the gender policy implementation, two specific portfolio indicators are proposed:
  - (a) For quality at entry: The percentage of adaptation and mitigation projects that include specific gender elements and gender-sensitive implementation arrangements; and
  - (b) On the basis of best practices from other organizations, a portfolio classification system, which consists of a project rating at entry for gender sensitivity, will be adopted.<sup>5</sup> Such a system allows for a global analysis of the portfolio from a gender perspective, an assessment of effectiveness and, eventually, corrective action to be taken.

## V. Resource allocation and budgeting

13. As the rationale for the Fund's gender policy is to generate greater and more sustainable gender-equitable climate change results, the project approval process may consider giving additional weight to projects with well-designed gender elements.

### 5.1 Knowledge generation and communications

14. As a learning institution, the Fund will document the experience and knowledge that it will acquire from the implementation of its gender policy and action plan. In particular, it will seek to identify good practices from countries and AEs. At the same time, it must tap into the considerable knowledge already available on gender and climate mitigation and adaptation programmes and projects implemented by other partners. The Fund will support knowledge exchange activities on gender and climate change finance.

15. Communicating the Fund's commitment to gender equality, its gender sensitivity policy and its implementation guidance will be a strategic communications activity and an integral part of the Fund's communications plan. It will be important to communicate to the public not only how the Fund is implementing its gender policy, but also to seek periodic feedback from stakeholders and partners on the implementation of the policy and on possible improvements in the action plan.

The proposed initial duration of the gender action plan is three years so as to allow the Fund to implement these activities and then assess the implementation after this three-year period. Subsequently, the duration of the gender action plan is expected to align with the Fund's business cycle.

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<sup>5</sup> It involves giving a rating to projects on a scale from those with a significant gender focus to those with a marginal gender focus (e.g. just the safeguards) or with no gender element at all. The Fund could initially apply the Organisation for Economic Co-operation and Development's gender equality policy intention marker.

## **Annex XV: Terms of reference of the Appointment Committee**

### **I. Role and functions**

1. The role of the Appointment Committee is to assist the Board in discharging its responsibilities, in accordance with the Governing Instrument, regarding the appointments of the Head of the Evaluation Unit, the Head of the Integrity Unit and the Head of the Redress Mechanism (collectively referred to as “Board-Appointed Officials”). Furthermore, the Committee will make recommendations for consideration by the Board regarding salary and accountability of the Board-Appointed Officials.
2. In fulfilling this role, the Appointment Committee will:
  - (a) Guide and monitor the processes for the selection and appointment of Board-Appointed Officials;
  - (b) Recommend the terms of reference and selection criteria of Board-Appointed Officials for consideration and adoption by the Board, consistent with the provisions of the Governing Instrument and relevant policies, procedures and decisions of the Board;
  - (c) Make recommendations to the Board regarding the appointment process for Board-Appointed Officials;
  - (d) Make recommendations to the Board regarding remuneration and benefits payable to Board-Appointed Officials;
  - (e) Recommend, for consideration and decision-taking by the Board, short-listed candidates for appointment as Board-Appointed Officials based on the selection and appointment processes undertaken;
  - (f) Seek the recommendation of the Ethics and Audit Committee to the Board for the appointment of the Head of the Integrity Unit; and
  - (g) Consider any other matters related to the selection and appointment of the Board Appointed Officials that the Board deems appropriate.

### **II. Membership**

3. The Appointment Committee will comprise:
  - (a) Three members or alternate members of the Board from developing country Parties; and
  - (b) Three members or alternate members of the Board from developed country Parties.
4. Members of the Appointment Committee will serve for its duration as per paragraph 5.

### **III. Duration**

5. The Appointment Committee will be an ad hoc committee of the Board, and shall function until the earlier of:
  - (a) The Board Appointed Officials having been appointed by the Board;
  - (b) Its functions having been taken over by a standing committee of the Board; or
  - (c) The Board having decided to terminate the Appointment Committee.

## Annex XVI: Board members and alternate members of the Green Climate Fund as of 26 of March 2016

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. Hoe Jeong Kim (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. Mariana Ines Micozzi (Argentine) Advisor to Secretariat of Finance Ministry of Economy and Finance</p>	<p>Mr. Cristian Salas (Chile) Advisor for International Affairs to the Minister Ministry of Finance</p>	<p>Developing countries, Latin America and the Caribbean</p>
<p>Mr. Gabriel Quijandria (Peru) Vice Minister, Ministry of Environment</p>	<p>Mr. Angel Valverde (Ecuador) National Director Mitigation on Climate Change, Ministry of Environment</p>	
<p>Mr. David Kaluba (Zambia) Principal Economist Ministry of Finance and National Planning</p>	<p>Mr. Nojibur Rahman (Bangladesh) Secretary Ministry of Environment and Forests</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>Mr. George Zedginidze (Georgia) Former Minister Ministry of Environment Protection</p>	<p>Mr. Irfa Ampri (Indonesia) Head Center for Climate Change Financing and Multilateral Policy, Fiscal Policy Agency, Ministry of Finance</p>	<p>Developing countries</p>
<p>Mr. Clare Walsh (Australia) First Assistant Secretary Department of Foreign Affairs and Trade</p>	<p>Mr. Peter J. Kalas (Czech Republic) Former Minister Ministry of Environment</p>	<p>Developed countries, Australia on behalf of Australia and New Zealand</p>
<p>Mr. Jacob Waslander (Netherlands) Head Climate and Energy Division, Ministry of Foreign Affairs</p>	<p>Mr. Peder Lundquist (Denmark) Deputy Permanent Secretary Ministry of Finance</p>	<p>Developed countries, Denmark and the Netherlands</p>
<p>Mr. Arnaud Buisse (France) Deputy Assistant Secretary Multilateral Financial Affairs and Development Division, Directorate-General of the Treasury</p>	<p>Mr. Frederic Glanois (France) Head Official Development Assistance and Multilateral Development, Directorate-General of the Treasury</p>	<p>Developed countries, France</p>



<p>Ms. Ingrid-Gabriela Hoven (Germany) Director General Sector Policies and Programmes, Federal Ministry for Economic Cooperation and Development</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. Georg Børsting (Norway) Policy Director Ministry of Foreign Affairs</p>	<p>Developed countries, Norway</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. Aize Azqueta Quemada (Spain) Coordinator of Climate Funds, Ministry of Economy and Competitiveness</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>
<p>H.E. Mr. Jan Cedergren (Sweden) Ambassador Ministry of Environment</p>	<p>Mr. Jozef Buys (Belgium) Attaché Directorate General Development Cooperation Ministry of Foreign Affairs</p>	<p>Developed countries, Sweden and Belgium</p>



<p>Ms. Andrea Ledward (United Kingdom of Great Britain and Northern Ireland) Head DFID's Climate and Environment Department</p>	<p>Mr. Josceline Wheatley (United Kingdom of Great Britain and Northern Ireland) Head International Team DFID's Climate and Environment Department</p>	<p>Developed countries, United Kingdom of Great Britain and Northern Ireland</p>
<p>Mr. Leonardo Martinez-Diaz (United States of America) Deputy Assistant Secretary Environment and Energy Office, Department of the Treasury</p>	<p>Mr. C. Alexander Severens (United States of America) Director Environment and Energy Office, Department of the Treasury</p>	<p>Developed countries, United States of America</p>

## Annex XVII: Decisions taken between meetings

### DECISION B.BM-2014/08

*The Board, through a decision taken between meetings on a no-objection basis:*

*Decided that its first meeting in 2015 will take place in Songdo, Republic of Korea from 24 to 26 March 2015.*

### DECISION B.BM-2015/01

*The Board, in accordance with decision B.08/20 and through a decision taken between meetings on a no-objection basis:*

*Endorsed the nomination by the Accreditation Committee of the following expert to the Accreditation Panel for one term:*

*Mr. Max Contag (Ecuador).*

### DECISION B.BM-2015/02

*The Board, in accordance with decision B.08/20 and through a decision taken between meetings on a no-objection basis:*

*Appointed Daemyung Grant Thronton as the External Auditor of the Fund for a three-year period beginning with the audit of the 2014 financial statements.*

### DECISION B.BM-2015/03

*The Board, in accordance with decision B.08/20 and through a decision taken between meetings on a no-objection basis:*

*Approved the accreditation of following organizations as observer organizations with the Fund:*

#### ***Civil Society Organizations:***

*Catholic Agency for Overseas Development*

*Climate Change, Agriculture and Food Security hosted by University of Copenhagen (CCAFS)*

*Climate Justice Programme Inc. (CJP)*

*Climate Mundial Limited*

*Society for Development Alternatives*

*Energy Research Center of the Netherlands*

*The Federation for Associations connected to the International HUMANA PEOPLE to PEOPLE Movement (Humana People to People) (FAIHPP)*

*Indus Development Organization (I.D.O.)*

*Abdul Momen Khan Memorial Foundation (Khan Foundation)*

*Korea Federation for Environmental Movements*

*New Climate Institute for Climate Change and Global Sustainability*

*Sindh Community Foundation (SCF)*

*World Vision International (WVI)*

***Private sector organizations:***

*Beijing Tianqing Power International CDM Consulting Co. Ltd. (TQ Power)*

***International entities:***

*Nordic Environment Finance Corporation (NEFCO)*

*Secretariat of the UN International Strategy for Disaster Risk Reduction*

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## Annex XVIII: List of Board Members and Alternate Members participating in the meeting

### Board Members

Mr. Arnaud Buisse  
H.E. Amb. Jan Cedergren  
Mr. Zaheer Fakir  
Mr. Jorge Ferrer Rodriguez  
Mr. Henrik Harboe (Co-Chair)  
Mr. Shuichi Hosoda  
Ms. Ingrid-Gabriela Hoven  
Ms. Andrea Ledward  
Mr. Leonardo Martinez-Diaz  
Mr. Patrick McCaskie  
Ms. Mariana Inés Micozzi  
Mr. Gabriel Quijandria (Co-Chair)  
Mr. Stefan Marco Schwager  
Mr. Ayman Shasly  
Ms. Ludovica Soderini  
Ms. Clare Walsh  
Mr. Jacob Waslander  
Mr. Ying Ming Yang  
Mr. George Zedginidze

### Alternate Members

Mr. Irfa Ampri  
Ms. Aize Azquetta Quemada  
Mr. Georg Børsting  
Mr. Jozef Buyz  
Mr. Shri Dipak Dasgupta  
H.E. Amb. Ali'ioaiga Feturi Elisaia  
Mr. Newai Gebre-Ab  
Mr. Frederic Glanois  
Mr. Paulo Gomes  
Mr. Norbert Gorissen  
Ms. Joey Grant  
Mr. Petr J. Kalas  
Mr. Hoe Jeong Kim  
Mr. Tosi Mpanu Mpanu  
Mr. Tomonari Nakamura  
Mr. Nojibur Rahman  
Mr. Clarence Alexander Severens  
Mr. Angel Valverde Gallardo  
Mr. Josceline Wheatley

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