



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
2 – 5 November 2015  
Livingstone, Republic of Zambia  
Agenda Item 33

**GCF/B.11/24**

**20 November 2015**

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# Decisions of the Board – Eleventh meeting of the Board, 2 – 5 November 2015

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## DECISION B.11/01

### **Agenda item 20: Comparison of salary levels for comparable positions at other specialized global funds for the Heads of the Accountability Units**

The Board, having considered document GCF/B.11/13 titled “Comparison of salary levels for comparable positions at other specialized global funds for the Heads of Accountability Units”:

- (a) Takes note of the information on the comparison of salary levels for comparable positions at other specialized global funds; and
- (b) Decides that the appointment level for the Heads of Accountability Units will range from IS-6 to IS-8 taking into account the candidate’s work experience, current position and educational background.

## DECISION B.11/02

### **Agenda item 22: The financial statements of the Green Climate Fund for the year ended 31 December 2014 and Annual Report 2014/15**

The Board, having considered document GCF/B.11/21 titled “The financial statements of the Green Climate Fund for the year ended 31 December 2014 and Annual Report 2014/15”:

- (a) Approves the financial statements of the Green Climate Fund (GCF) for the year ended 31 December 2014 as contained in Annex I to this decision; and
- (b) Takes note of the GCF Annual Report 2014/15 as contained in Annex II to this decision.



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## Annex I: The financial statements for the year ended 31 December 2014

### FINANCIAL STATEMENTS GREEN CLIMATE FUND

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## **INDEPENDENT AUDITOR'S REPORT**

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To the Board of the Green Climate Fund

### **Report for the financial statements**

We have audited the accompanying financial statements of the Green Climate Fund ("the Fund"), which comprise the statement of financial position as at December 31, 2014, the statement of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

### **Board's and Secretariat's responsibility for the financial statements**

The Secretariat is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board and the Secretariat are further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Other matter**

The financial statements of the Fund for the year ended December 31, 2013 presented herein for comparative purpose were not audited.

XX November 2015

Seoul, Korea

This report is effective as of XX November 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.



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## STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013

(In '000 USD)	Note	2014	2013 (unaudited)
<b>Assets</b>			
Cash and cash equivalents	5, 6	108,102	29,538
Other receivables	6	252	196
Prepayments		62	-
<b>Total current assets</b>		<b>108,416</b>	<b>29,734</b>
Property and equipment, net	7	433	-
<b>Total non-current assets</b>		<b>433</b>	<b>-</b>
<b>Total assets</b>		<b>108,849</b>	<b>29,734</b>
<b>Liabilities</b>			
Accounts payable	6	60	-
Accrued expenses		678	-
Payable to employees	6	332	-
<b>Total current liabilities</b>		<b>1,070</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,070</b>	<b>-</b>
<b>Funds</b>			
Temporarily restricted funds	8	681	1,400
Unrestricted funds		107,098	28,334
<b>Total Funds</b>		<b>107,779</b>	<b>29,734</b>
<b>Total liabilities and funds</b>		<b>108,849</b>	<b>29,734</b>

See accompanying notes to the financial statements.



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## STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and December 31, 2013

(In '000 USD)	Note	2014	2013 (unaudited)
<b>Income</b>			
Grant Contributions	9	88,750	29,457
Foreign Currency gain/(loss) on Contributions	6	(118)	-
Bank and Trust Fund Income	6	140	17
<b>Total income</b>		<b>88,772</b>	<b>29,474</b>
<b>Expenditure</b>			
Operating expenses	11	10,727	4,368
<b>Total expenditure</b>		<b>10,727</b>	<b>4,368</b>
<b>Increase in fund for the year</b>		<b>78,045</b>	<b>25,106</b>
<b>Other Comprehensive Income (loss)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>78,045</b>	<b>25,106</b>



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## STATEMENTS OF CHANGES IN FUNDS

For the years ended December 31, 2014 and December 31, 2013

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
<b>As at 1 January 2013</b>	-	<b>4,628</b>	<b>4,628</b>
Increase in the funds for the period	1,400	23,706	25,106
<b>As at 31 December 2013</b>	<b>1,400</b>	<b>28,334</b>	<b>29,734</b>
<b>As at 1 January 2014</b>	<b>1,400</b>	<b>28,334</b>	<b>29,734</b>
Increase/(Decrease) in the funds for the period	(719)	78,764	78,045
<b>As at 31 December 2014</b>	<b>681</b>	<b>107,098</b>	<b>107,779</b>

See accompanying notes to the financial statements.

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## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and December 31, 2013

(In '000 USD)	2014	2013 (unaudited)
<b>Cash flows from operating activities</b>		
Cash receipts from Contributors	88,750	29,457
Bank and Trust Fund Income	140	17
Cash paid to suppliers and personnel	(9,645)	(2,312)
Foreign currency gain (loss) on contribution	(118)	-
<b>Net cash provided by (used in) operating activities</b>	<b>79,127</b>	<b>27,162</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(563)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(563)</b>	<b>-</b>
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>78,564</b>	<b>27,162</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>29,538</b>	<b>2,376</b>
<b>Cash and cash equivalents at end of year</b>	<b>108,102</b>	<b>29,538</b>

See accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and December 31, 2013

### 1. Reporting entity

The Green Climate Fund (Fund) has been established by 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The Fund was established by a decision of the Conference of the Parties (COP) to the UNFCCC on 11 Dec 2011. Its headquarter is based in Songdo, the Republic of Korea. It will contribute to the achievement of the ultimate objective of the Convention. In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. The Fund will be guided by the principles and provisions of the Convention.

The Fund will play a key role in channeling new and predictable financial resources to developing countries. GCF will catalyze climate finance – both public and private, and at the national, regional and international levels. The Fund is intended to operate at a larger scale than other comparable funds to promote the paradigm shift towards low-emission and climate-resilient development pathways.

GCF was designated as an operating entity of the UNFCCC's financial mechanism, which it is ultimately accountable to. The COP provides guidance to the Board, including on matters related to policies, programme priorities and eligibility criteria. The Board takes appropriate actions in response to this guidance and reports to the COP annually.

The Fund is governed and supervised by a Board that will have full responsibility for funding decisions and that receives the guidance of the COP. The Fund established the Secretariat. The Board oversees the operation of all relevant components of the Fund, approving specific operational policies and guidelines, and approving funding for projects and programmes. The Board is composed of 24 members, and 24 alternate members with equal representation from developing and developed country Parties. In accordance with the Fund's Governing Instrument, the World Bank (IBRD) provides trustee services to the Fund, on an interim basis.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Basis of Preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **Statement of Compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). Where the IFRS are silent or do not give guidance on how to treat transactions specific to the non-profit sector, accounting policies have been based on the general IFRS principles, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

These financial statements are submitted to the Board of the Green Climate Fund for its consideration.

#### **Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

#### **Functional and Presentation Currency**

The accompanying financial statements are presented in United States Dollars ("USD"), the Fund's functional currency. All financial information has been rounded off to the nearest thousands, unless otherwise indicated.

#### **Use of Estimates and Judgments**

The preparation of the financial statements in accordance with IFRSs requires the Secretariat to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### **3. Application of new and revised IFRS**

#### **New standards, interpretations and amendments adopted during 2014**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2013.



## NOTES TO THE FINANCIAL STATEMENTS

During 2014 several new standards and amendments became applicable for the first time in 2014. However, these do not impact the financial statements of the Fund.

### Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2014, and have not been applied in preparing the financial statements. The Fund plans to adopt these pronouncements when they become effective. Only those new or amended standards that may have an impact on the Fund reporting are listed below, with their potential effect on the financial statement:

Changes in IFRS to be applied in 2017 - IFRS 15 "Revenue from Contracts with Customers" (May 2014): Based on its current sources of income, the Fund does not expect material impact on its financial statements.

## 4. Summary of significant accounting policies

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

### Receivable

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful debt. Any receivable or portion of receivable judged to be uncollectable is written off. Write offs of receivables are done via allowances for doubtful accounts after all efforts to collect have been exhausted.

### Property and equipment

Property and equipment are measured initially at cost. Subsequent to initial recognition as an asset, property and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The costs of the day-to-day servicing are recognized as expenses.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.



## **NOTES TO THE FINANCIAL STATEMENTS**

The estimated useful lives for the current period are as follows:

<b>Plant and equipment</b>	<b>Useful life</b>
Computer equipment and IT infrastructure	3–5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Depreciation is made in the year the asset is placed in operation and continued until the asset is fully depreciated or its use is discontinued.

### **Foreign currency transactions and translations**

Foreign currency-denominated transactions are translated to US Dollars for reporting purposes at rates which approximate the exchange rates prevailing at the dates of the transactions.

Exchange differences arising from the: (a) settlement of foreign currency-denominated monetary items at rates which are different from which they were originally booked, and (b) translation of balances of foreign currency-denominated monetary items as at reporting date, are credited or charged to operations during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### **Accounting for Grants**

#### Revenue recognition

Grants, including unconditional promise for the use of the grants, are recognized as revenue at the earlier of when there is reasonable assurance that the grants will be received or such grants are received.

Grants, including conditional promise to support specified projects or activities mutually agreed upon by the Fund and the contributor, are fully recognized as revenue at the earlier of when there is reasonable assurance that the grants will be received or such grants are received unless there is doubt that the Fund will not be able to use the grants for intended purposes, in which case the revenue is recognized only to the extent of the expenditures incurred during the year.

#### Grants receivables

The Fund recognizes grants receivables where there is reasonable assurance that the grants will be received but the cash has not been received. Grants receivables are stated at their cost net of a provision for uncollectible grants.

## NOTES TO THE FINANCIAL STATEMENTS

### Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Taxation

Under an agreement between the Republic of Korea and the Green Climate Fund (GCF) concerning the Headquarters of the Green Climate Fund, signed on 10 June 2013, the GCF is exempt from all direct taxes, except those which are, in fact no more than charges for public utility services; and exempt from all indirect taxes, including any value-added and or/similar tax and excise duties levied on important purchase of goods and services for official purposes.

### Financial risk management

The Fund will be exposed to various kind of financial risk (credit risk, market risk, operational risk etc.). The fund has its Financial Risk Management and Investment framework. The Fund is in the process of developing its risk appetite and the risk management procedures and tools. Funds held in trust by the interim Trustee are invested in accordance with the World Bank's policies and procedures for the investment of trust funds administered by the World Bank.

### Events after the Reporting Date

Post year-end events that provide additional information about the Funds financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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**NOTES TO THE FINANCIAL STATEMENTS**

**5. Cash and Cash Equivalents**

- (a) Cash and cash equivalents as of December 31, 2014 and 2013 are summarized as follows:

<i>(In '000 USD)</i>	2014	2013
Balance held in the GCF Trust Fund (at the World Bank)	107,280	28,138
Balances held in Commercial Banks	819	1,400
Cash on Hand	3	-
<b>Total</b>	<b>108,102</b>	<b>29,538</b>

The International Bank for Reconstruction and Development is serving as the interim trustee ("Trustee") of the fund. The Trustee administers the Contribution received in the Trust Fund in accordance with the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund (including all Annexes and Attachments attached thereto, which constitute an integral part thereof), dated April 22, 2015 between the Fund and the Trustee, as may be modified from time to time in accordance with its provisions (the "GCF Trust Fund Agreement").

Pending the selection of the service provider the employees and employers contribution towards the post-employment benefit plan is kept under a separate bank account. These restricted cash of USD 306 thousands is included under Balances held in Commercial Banks. The corresponding liability is shown under payable to employees in the Statement of Financial Position.

- (b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2014 and 2013 are as follows:

<i>(In '000 USD)</i>	2014		2013	
	Foreign currency amount (in '000)	Translation into '000 USD	Foreign currency amount (in '000)	Translation into '000 USD
KRW	158,070	144	-	-
		144	-	-

- (c) Currency exchange rates as of December 31, 2014 and 2013 are as follows:

<i>(In 'USD)</i>	2014	2013
Currency	Ending exchange rate	Ending exchange rate
KRW	0.0009	0.001



## NOTES TO THE FINANCIAL STATEMENTS

### 6. Financial Instruments by Categories

- (a) Categories of financial assets as of December 31, 2014 and 2013 are summarized as follows:

<i>(In '000 USD)</i>	2014		2013	
	Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	Loans and receivables
Cash and cash equivalents	108,102	-	29,538	-
Other receivable	-	252	-	196
<b>Total</b>	<b>108,102</b>	<b>252</b>	<b>29,538</b>	<b>196</b>

The other receivable represents the balance with the UNFCCC Secretariat as at the end of the year which provided secretariat services pending the establishment of the Fund's independent secretariat.

- (b) Categories of financial liabilities as of December 31, 2014 and 2013 are summarized as follows:

<i>(In '000 USD)</i>	2014	2013
	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
Accounts payable	60	-
Payable to employees	332	-
<b>Total</b>	<b>392</b>	<b>-</b>

As stated in note 5 to the financial statements, Cash and Cash Equivalents, the payable to employees include the fund withheld for post-employment benefit plan of \$ 306 thousands.

- (c) Detail of finance income (costs) by categories for the years ended December 31, 2014 and 2013 are summarized as follows:

<i>(In '000 USD)</i>	2014			2013		
	Cash and cash equivalents	Loans And receivables	Financial liabilities measured at amortized cost	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost
Bank and trust fund income	140	-	-	17	-	-
Foreign currency gain (loss) on contribution	(118)	-	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

<b>Total</b>	<b>22</b>	<b>252</b>		<b>17</b>	<b>-</b>	<b>-</b>
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### 7. Property and Equipment

(a) Details of property and equipment as of December 31, 2014 and 2013 are as follows:

<b>(i) December 31, 2014</b>			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	563	(130)	433
<b>Total</b>	<b>563</b>	<b>(130)</b>	<b>433</b>
<b>(ii) December 31, 2013</b>			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) Changes in property and equipment for the year ended December 31, 2014 are summarized as follows:

*(In '000 USD)*

	January 1, 2014	Acquisition	Disposals	Depreciation	December 31, 2014
Computer/IT equipment	-	563	-	(130)	433
<b>Total</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>(130)</b>	<b>433</b>

(c) There is no change in property and equipment for the period from during the year 2013.

### 8. Funds

All contributions received where the use is limited by statutory restrictions, contributor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

The temporarily restricted funds represent contributions provided by the Incheon Metropolitan City of the Republic of Korea. This contribution was given for the purposes of purchasing office furniture, supplies and equipment, including any electronic equipment such as video conference facilities, as required by the Fund. A total of \$ 719 thousand was utilized during 2014.



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**NOTES TO THE FINANCIAL STATEMENTS**

**9. Grant Contribution**

(a) Details of grant contribution received for the year ended December 31, 2014 and December 31, 2013 are as follows:

(All amounts in '000)	2014			2013		
	Contributions		In USD Eq.	Contributions		In USD Eq.
Contributor	Currency	Amount	Amount	Currency	Amount	Amount
Belgium	EUR	40,000	48,622			
Brussels Capital Region	EUR	600	730			
Czech Republic				USD	300	300
Czech Republic	CZK	10,000	450			
Denmark	DKK	103,600	16,979			
France	EUR	1,000	1,276			
Germany	EUR	1,000	1,375	EUR	16,785	23,079
Italy	EUR	500	621			
Japan	USD	1,000	1,000			
Korea				KRW	1,130	1,059
Korea	USD	11,000	11,000	USD	1,400	1,400
Latvia	EUR	350	425			
Netherlands				EUR	500	688
Norway	NOK	500	71	NOK	8,600	1,402
Poland	PLN	350	103			
Sweden	SEK	10,000	1,404	SEK	5,000	759
Switzerland	CHF	500	562			
United Kingdom	GBP	2,500	4,132	GBP	500	770
<b>Total</b>			<b>88,750</b>			<b>29,457</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 10. Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an employer and employees pays fixed contributions and the employer will have no legal obligation to pay further amount. The Fund operates a defined contribution plan for employees. Employee benefits relating to employee service rendered will be based on the contributions and the investment earnings on the plan assets which will be managed separately from the Fund's assets. Fund's Contributions to the defined contribution plan are recognized as an expense in the year in which they are incurred. Employees' contribution to the retirement fund was \$102 thousands and \$0 during the year 2014 and 2013 respectively.

The expenses related to post-employment benefit under defined contribution plans for the year ended December 31, 2014 and December 31, 2013 are as follows:

<i>(In '000 USD)</i>	2014	2013
Expense related to post-employment benefit under defined contribution plan	204	-

### 11. Operating Expenses

Details of operating expenses for the year ended December 31, 2014 and December 31, 2013 are as follows:

<i>(In '000 USD)</i>	2014	2013
Salaries and Benefits	2,830	37
Consultants Fees	3,822	2,174
Contractual Services	790	1,176
Supplies and Services	1,775	532
Travel	1,380	449
Depreciation	130	-
<b>Total</b>	<b>10,727</b>	<b>4,368</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Lease

Under the agreement between the Ministry of Strategy and Finance of the Republic of Korea, The Incheon Metropolitan City of the Republic of Korea and The Green Climate Fund signed on 8<sup>th</sup> October 2013 Incheon City provides to the Fund the use of premises free of payment of rental for the entire duration of the Fund's operations in Songdo.

### 13. Related Parties

Related parties include the members of the Board, Board committees, senior management and close family members of the Board, Board committees and senior management. There was no loan to or from related parties outstanding as at 31 December 2014 and 2013. The Fund does not remunerate its Board members.

Remuneration of key management consists of basic salary, health insurance benefit, other benefits and contribution to post-employment pension plan. The remuneration of key management, comprising the Executive Director and members of senior management team, amounted to \$1,191 thousand and \$168 thousand for the years ended December 31, 2014 and 2013, respectively."

## **Annex II: Annual Report 2014/15**

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Foreword from the Co-Chairs of the Board

2014/15: a year in review

1. Institutional and operational policies
2. The investment framework
3. The Initial Resource Mobilization
4. Building a network of accredited partners
5. Providing readiness support to strengthen the capacity of developing countries
6. Catalysing private climate investment: the Private Sector Facility

Outlook from the Executive Director, HÉla Cheikhrouhou

About the Green Climate Fund

## Foreword from the Co-Chairs of the Board

We are pleased to present this first issue of the Green Climate Fund (GCF) Annual Report. This report provides the Fund's stakeholders with an overview of GCF activities and achievements in the last year as well as the key tasks and challenges ahead. The past twelve months were a pivotal period for the Fund in terms of working towards making it fully operational.

Among the most significant achievements over this period are the nomination of more than 130 national designated authorities (NDAs) or focal points (FPs) to the GCF; the accreditation of 20 entities through which the resources of the GCF will be channelled; and an Initial Resource Mobilization of approximately USD 10.2 billion equivalent in pledges from 35 developed and developing countries, of which 60 per cent has been confirmed in formal agreements.

The GCF is an innovative institution committed to enhance country ownership and engage in working with a wide variety of partners including public and private, as well as international, regional and national entities. One of the key features of the Fund is its readiness programme, which aims to enable countries to engage with and directly access the Fund. Another priority is to mobilize larger resources and leverage additional investment from the private sector. This report also sets out the progress made by the Private Sector Facility, which constitutes another unique feature of the GCF.

Substantial progress has been made in these key areas. Readiness support has been committed for 17 countries to strengthen their NDAs or focal points and to develop their strategic frameworks. The GCF has also launched a pilot programme at USD 200 million for enhancing direct access to increase country ownership of the projects proposed to the Fund, and pilot programmes of up to USD 200 million to support micro-, small- and medium-sized enterprises (MSMEs), as well as to mobilize resources at scale (up to USD 500 million)

The Board has also taken a number of major policy decisions over the past year, for instance setting up the investment framework of the Fund and making substantial progress in setting the Fund's initial risk management framework. Moreover, the Board took very important decisions regarding the governance and internal structures of the Fund such as taking important steps towards the operationalization of the three accountability units of GCF and in establishing an independent Technical Advisory Panel to assess funding proposals. All these achievements and milestones have enabled the GCF to start operating this year.

The Board decided to start taking decisions on the approval of projects and programmes during its third meeting of 2015, and the first GCF-supported programmes and projects will unfold over the coming years, supporting developing countries in driving a paradigm shift to low-emission and climate-resilient development, and working to overcome the challenges of financing mitigation and adaptation activities. As the GCF works towards approving a larger number of projects and programmes to support developing countries, the demands to the Fund will outstrip the resources currently at its disposal. The Initial Resource Mobilization period lasts until 2018, and the Fund is open for new contributors to come forward and pledge funds.

The Fund also has many important tasks on the road ahead in order to consolidate its operational and institutional policies. The progress made over 2014–2015 is a very good start that needs to be enhanced and cemented over the years to come. We are confident that together with our implementing partners, civil society and the private sector, and political and financial support, the Green Climate Fund will play a major role in supporting low-emission and climate-resilient pathways in developing countries and be at the centre of international efforts on climate finance.

*[Signed by Henrik Harboe and Gabriel Quijandria]*

## 2014/15: A year in review

### 2014/15 in brief

2014/15 was a remarkable period for the Green Climate Fund (GCF), as it transitioned from a newly established institution to a financial institution with initial funding, a clear strategy, principles and policies in place, and a growing global network of implementing partners and developing countries. This period also marked the third anniversary of the beginning of the work of the Board of the GCF, which met for the first time in August 2012. Three years later, as a result of the decisions taken by the Board, the following achievements over the period can be reported:

- The Board has put in place a results management framework, an initial proposal approval process and an investment framework;
- The first country readiness grants are being prepared;
- The first 20 implementing entities have been accredited;
- Over 130 national designated authorities (NDAs) have been nominated by developing countries;
- The Fund has carried out its Initial Resource Mobilization, with approximately USD 10 billion equivalent from developed and developing countries; and
- The Private Sector Facility (PSF) has built a strategy to drive private investment.

### 1. Institutional and operational policies

A priority for the Board in early 2014 was to establish the policies and procedures needed to ensure the full operation of the GCF in an efficient and accountable manner.

To that end, the Board identified **eight essential requirements** to be established towards its Initial Resource Mobilization.

Eight essential requirements – the policies and procedures put in place by the Board in 2014:

- (i) Fund structure and fiduciary, environmental and social standards;
- (ii) Financial risk management and investment frameworks;
- (iii) Results areas and indicators;
- (iv) Accreditation framework;
- (v) Resource allocation policies;
- (vi) Proposal approval process;
- (vii) Operating modalities of the Fund; and the
- (viii) Terms for three accountability units.

To meet the target of mobilizing resources for the Fund by the end of 2014, the ambitious challenge was to develop, revise and agree on policies in all of the above-mentioned areas by the seventh meeting of the Board in May 2014.

These areas relating to governance and policy needed to be agreed upon before the GCF could start to disburse resources. Reaching agreement on these areas was also widely regarded as a trust-building exercise for the Fund, to give future contributors confidence in advance of

resource mobilization. All of the elements would need to be agreed by consensus among the 24 Board members, who equally represent developing and developed countries.

The Fund worked intensively on these issues during its first two meetings in 2014, successfully reaching agreement on the last of the eight elements at the seventh meeting of the Board in May 2014.

An **accreditation process** was developed to allow organizations to partner with the Fund in executing its activities, with an Accreditation Committee and Accreditation Panel, and an Online Accreditation System to process applications. A **results management framework** was agreed upon, specifying the results that need to be achieved within each of the thematic results areas of the GCF. A **project and programme activity cycle** was adopted, encompassing a **proposal approval process** that covers the steps up until eventual Board funding decisions.

The GCF **financial risk management framework** includes policies to manage and mitigate risk within the GCF portfolio, while encouraging the Fund to maintain a risk profile that promotes the funding of innovative projects. It includes a system and structure for monitoring and reporting such risk. The Board also agreed on the **operational structure** of the Fund and how the **thematic funding windows for adaptation and mitigation** will operate, together with the **PSF**.

## 2. The investment framework

One of the most significant of the eight essential requirements was establishing the strategy and guidelines for future investments: the GCF investment framework. With large-scale climate funding expected to flow through the Fund over the coming years, ensuring that investments are targeted for maximum impact and fairness is essential, guided by the objective to promote a paradigm shift towards low-carbon and climate-resilient economies, while using the minimum concessional funding to make projects viable. The adoption of the GCF **allocation framework** by the Board in 2014 was the first step, establishing the general principles to govern future funding decisions.

The Allocation Framework principles:

- (i) Aim for a 50:50 balance between adaptation and mitigation over time;
- (ii) Floor of 50 per cent of the adaptation allocation to go to the least developed countries (LDCs), small island developing States (SIDS) and African States;
- (iii) Geographical balance in funding across a wide range of countries; and
- (iv) Significant allocation to the PSF to maximize engagement with the private sector.

Building upon these general principles, the Board approved a full **investment framework** at its seventh meeting in May 2014. The framework identifies a series of criteria and sub-criteria that will structure the investment decisions of the GCF in relation to both adaptation and mitigation funding.

**Table 1. Investment guidelines**

Criteria	Definitions
Impact/results potential	Potential to contribute to the objectives and results areas of the GCF
Paradigm shift potential	Systemic change to low-carbon and climate-resilient pathways Post-investment sustainability of the project
Needs of beneficiary country	Financing needs, lack of alternative funding sources
Country ownership	Beneficiary country ownership and capacity to implement the project
Efficiency and effectiveness	Cost-benefit analysis
Sustainable development impact	Gender, jobs and other benefits

### 3. The Initial Resource Mobilization

The successful completion of the eight essential requirements by the Board cleared the way for the Fund to begin mobilizing resources. The **Initial Resource Mobilization** was one of the most important developments of the year for the Fund, and an essential element in trust-building for the international climate agreement negotiations.

Potential contributors and observers were invited to preparatory meetings in Norway and Germany in September 2014. The first pledging conference took place in Berlin in November 2014, where the pledged total reached USD 9.3 billion equivalent from 21 countries, including four developing countries. This was the largest amount the international community had ever mobilized for a dedicated climate finance mechanism in such a short time frame.

The GCF continued to receive additional pledges, and by the twentieth session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Lima, Peru, in December 2014, pledges had been made amounting to **USD 10.2 billion equivalent from 34 countries**.

The Fund moved to converting pledges to contributions. By mid-2015, **24 countries had already converted parts or all of their pledges** into signed agreements, amounting to a total of approximately USD 5.76 billion equivalent (as at 31 July 2015). This amount took the GCF above the effectiveness threshold of 50 per cent.

The attainment of effectiveness means that the GCF is in a position to start taking financing decisions on climate change mitigation and adaptation projects and programmes no later than its third meeting in 2015, as agreed by the Board.

Efforts to collaborate with the remaining contributors to convert pledges into contribution arrangements/agreements are ongoing. The Board, in decision B.10/02, welcomed the progress made by those countries that had converted their pledges into fully executed contribution agreements/arrangements and urged those countries that had not confirmed their pledges to do so.

With USD 10 billion equivalent mobilized, the Fund has made a good start; however, it is only the beginning of the resource mobilization efforts of the GCF. As scale is essential for the GCF to effectively deliver its mandate, there is a need to unlock climate finance at levels well beyond those raised so far. The figure of USD 100 billion a year of climate finance to be mobilized by developed countries by 2020, agreed at the sixteenth session of the COP held in Cancun, Mexico, in November 2010, has recently been reiterated by G7 leaders.

The Fund needs to continue growing annually at levels significantly beyond its initial resources if it is to catalyse a global paradigm shift. With significant and predictable funding in place, the GCF can play a key role in driving the transition to climate-resilient and low-emission societies, and in unlocking private climate investments in the developing world.

The GCF Initial Resource Mobilization is ongoing during the period 2015–2018, and further contributions are welcomed from national, regional and local governments, cities, foundations and the private sector.

#### 4. Building a network of accredited partners

Starting to build a **network of trusted partners** to implement projects and programmes has been one of the key achievements of the Fund in 2014/15. Following the adoption by the Board of the accreditation framework, the Fund opened an Online Accreditation System. Deploying financing via accredited and well-established institutions is a significant feature of the operations of the GCF; by mid-2015, the Fund had **accredited 20 organizations**. With over 100 organizations working towards accreditation, this number will continue to grow.

Such entities may be subnational, national, regional or international, public, private or non-governmental. **Countries may access the Fund through any entity of their choice for a given investment proposal.** The GCF accreditation process ensures that these institutions are aligned with the objectives of the GCF and meet its fiduciary standards, environmental and social safeguards, and gender policy through a process of accreditation. The network of accredited entities operates in more than 100 developing countries, covering various geographical regions and sectors including public, private and non-governmental, and varying scales of operation in terms of financial activities, size of projects and programmes, and levels of environmental and social risk.

The Fund is also developing its monitoring and accountability framework for accredited entities, as well as a pilot programme for enhancing direct access to the resources of the GCF. Applications for accreditation are continuing on an ongoing basis through the GCF Online Accreditation System.

#### 5. Providing readiness support to strengthen the capacity of developing countries

The **readiness programme** is a special feature of the Fund. It seeks to prepare developing countries to work with the Fund, providing support and using the resources to support their country strategies, and helping to ensure effective programming of such resources. To build capacity and accelerate access for developing countries, a total of USD 16 million had been allocated for readiness and preparatory support in October 2014.

Chosen by governments to act as the core interface between a developing country and the GCF, **NDAs** and focal points (FPs) provide broad strategic oversight of the activities of the GCF in a country and serve as the point of communication with the Fund. The GCF has been working to ensure that countries rapidly establish NDAs or FPs. More than **130 developing countries** have already done so, demonstrating the demand to work with the GCF.

NDAs and FPs also provide leadership on the deployment of readiness and preparatory funding support in their country. This stream of funding is designed and implemented based on the choices made by the NDA or FP. The **first GCF grant agreement** for readiness was signed with Mali in April 2015. By mid-2015, the Fund had reached the grant agreement stage with five countries, totalling USD 1.3 million, with over 70 proposals under consideration. At least 50 per

cent of the readiness funding will be delivered to particularly vulnerable countries, including SIDS, LDCs and African States.

## 6. Catalysing private climate investment: the Private Sector Facility

According to estimates, developing **countries need USD 450 billion per year** between 2010 and 2029 to make their long-term investments low-emission and climate-resilient. This objective cannot be achieved without fully engaging the private sector, which represents two-thirds of the global gross domestic product (GDP). The Fund's unique Private Sector Facility (PSF) was created with this in mind. Its primary mission is to mobilize enterprises, financial intermediaries and the capital markets into making climate-sensitive investments in developing countries.

The PSF works with accredited entities to provide equity, debt, grants and guarantees for several sectors, including, but not limited to, renewable energy generation, energy efficiency (public transportation, waste management, efficient buildings and industry), and forestry and agriculture.

During 2014/15, the Fund made major efforts to develop the role of the PSF and ensure that it is best positioned to catalyse private investment for maximum impact. The **Private Sector Advisory Group (PSAG)** was established to provide expertise to the PSF and the Board. Its members include representatives from the private sector as well as civil society and Board members.

The PSAG provided input on the development of the investment framework and risk management framework in relation to the PSF. The connection between leveraging private finance and investment risk is particularly significant, with the aim that the PSF will **lower the risk of investments** aimed at transformational change. This may include aggregating small-scale projects and supporting a large-scale small- and medium-sized enterprise (SME) finance programme. The PSAG also made recommendations to the Board on **mobilizing funds at scale**, focusing on how to leverage Fund resources to engage private investors with the GCF pipeline.

The **accreditation of the first three private sector entities** in 2015 (in addition to several other entities with significant private sector track records in developing countries) provided tangible evidence of the commitment of the GCF to an innovative approach to the private sector. The PSF also consulted with accredited entities, NDAs and local stakeholders, with the aim of launching requests for proposals in 2016.

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## **Outlook from the Executive Director, H la Cheikhrouhou**

This first Annual Report sets out the important strides we have taken together so far, but it also captures the enormous challenges and opportunities ahead.

We are now poised to support action on the ground in developing countries through grants and concessional loans to governments, as well as private sector instruments.

Yet, USD 10 billion falls a long way short of the identified needs for mitigation and adaptation. It is also dwarfed by the USD 200 trillion in financial assets the world needs to shift towards low-emission and climate-resilient development.

At COP 16 in Cancun in 2010, world leaders committed to reaching a target of USD 100 billion a year towards climate finance by 2020. This was recently reiterated by G7 leaders. Given the scale and urgency of financial needs for climate change action, we need to generate more resources from countries, State-owned entities and local governments that have not yet partnered with us.

To be paradigm-shifting, climate finance must be able to bring large amounts of concessional financing to the table.

The Fund will leverage the existing climate finance landscape by sending strong market signals and stimulating private and public sector funds to flow into climate-sensitive investments. It will do this through a demand- and country-driven approach that is balanced and addresses the overall climate challenge, and the economic and developmental needs of countries.

However, the Fund needs sufficient finance and sufficient political support to make this happen. It is only by building a more effective global climate finance architecture that we will achieve the paradigm shift required to keep global temperature increases to below 2 degrees Celsius. That is the challenge for the world and the challenge for the Green Climate Fund.

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## About the GCF

The Green Climate Fund is an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). It was given the mandate to make “an ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change”.<sup>1</sup> The Conference of the Parties (COP) to the UNFCCC established the GCF to promote a paradigm shift towards low-emission and climate-resilient development pathways in developing countries in the context of sustainable development.

The GCF is the largest climate-dedicated fund whose sole mandate is to serve the Convention and that aims to deliver balanced funding for mitigation and adaptation. The key features of the GCF include:

1. A **balanced governance structure** that ensures consensus-based decisions between 12 developing and 12 developed countries;
2. The **ability to engage directly with both the public and the private sectors** in transformational climate-sensitive investments;
3. **At least 50 per cent of its adaptation funding** is targeted to the most vulnerable countries, including SIDS, LDCs and African States;
4. The **capacity to bear significant climate-related risk**, allowing it to leverage and crowd-in additional financing;
5. A **wide range of financial products**, enabling it to match project needs; and
6. A **singular mandate** to contribute towards the implementation of the goals set by the international community to address climate change.

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<sup>1</sup> Governing Instrument for the GCF, UNFCCC decision 3/CP.17, annex.

## DECISION B.11/03

### Agenda item 9: Strategic plan for the Green Climate Fund (progress report)

The Board, having considered document GCF/B.11/Inf.07/Rev.01 titled “Strategic plan for the Green Climate Fund (progress report)”:

- (a) Takes note of the submissions made by Board members and constituencies (document GCF/B.11/Inf.07/Rev.01) as requested by decision B.10/14;
- (b) Notes convergence on the importance and need to set out a strategic plan for the Green Climate Fund (GCF) in order to further operationalize the Governing Instrument for the GCF and guide the GCF as a continuously learning institution in further developing its operational modalities, with a view to achieving its overarching objective to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development;
- (c) Also notes convergence that the strategic plan should:
  - (i) Be guided by the Governing Instrument and the objectives and guiding principles laid out therein, including the arrangements with the Conference of the Parties to the United Nations Framework Convention on Climate Change, as per decision GCF/B.05/16, as well as build on the progress already made through previous Board decisions;
  - (ii) Be a living document to be reviewed and updated on a regular basis, as determined by the Board;
  - (iii) Clearly articulate to the world the vision and operational priorities of the GCF, thereby making it more accessible to countries and strengthening its partnerships with national designated authorities/focal points and accredited entities;
  - (iv) Identify opportunities, policy gaps and challenges in operationalizing these objectives and guiding principles;
  - (v) Present an action plan for the implementation of strategic measures to address these opportunities, gaps and challenges in order to strengthen the GCF as the distinctly transformational, high-impact, country-owned, dedicated climate fund, operating at scale; and
  - (vi) With regard to the strategic measures referred to in paragraph (c) (v) above, place a particular focus on:
    - 1. Allowing the GCF to scale up its investments in developing countries with the objective of tapping its full potential to promote urgent and ambitious actions enhancing climate change adaptation and mitigation in the context of sustainable development, and to maximize engagement with the private sector;
    - 2. Setting out the approach of the GCF to programming and investing the Initial Resource Mobilization resources, while striving to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two;
    - 3. Ensuring that the GCF is responsive to developing country needs and priorities, while ensuring country ownership, enhancing direct access, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency;

- (d) Decides to establish an ad hoc group of members of the Board/alternate members of the Board consisting of three developing country members (Mr. Omar El-Arini, two additional names to be added) and three developed country members (Mr. Henrik Harboe, Mr. Leonardo Martinez-Diaz, and Mr. Karsten Sach) to oversee and guide the Secretariat's preparation of the strategic plan;<sup>1</sup>
- (e) Requests the Secretariat to facilitate the work of the ad hoc group;
- (f) Also requests the ad hoc group of members to base their deliberations in particular on the submissions made by members and the comments made at the eleventh meeting of the Board and to ensure an inclusive engagement process with all Board/alternate members;
- (g) Invites members of the Board/alternate members of the Board, active observers and observer organizations to make submissions to the Secretariat on the elements contained in paragraph (c) above by 1 December 2015;
- (h) Requests the Secretariat to publish all submissions on the GCF website;
- (i) Decides to hold an informal meeting of the Board open to active observers well before the twelfth meeting of the Board that would address the strategic plan as one of the key issues for its consideration, and requests the ad hoc group to present an initial draft and guiding questions requiring further consideration by the Board as input to the informal discussions of the Board. In this regard, the Board requests the Secretariat to make the necessary arrangements; and
- (j) Requests the Secretariat, under the direction and guidance of the ad hoc group of members of the Board/alternate members of the Board, to present a strategic plan for the GCF for consideration and possible approval by the Board at its twelfth meeting.

## DECISION B.11/04

### Agenda item 7: Readiness programme implementation (progress report)

The Board, having reviewed document GCF/B.11/06 titled "Readiness programme implementation (progress report)":

- (a) Takes note of the information presented in document GCF/B.11/06;
- (b) Reaffirms that readiness and preparatory support is a priority for the Green Climate Fund (GCF) in order to enhance country ownership, ensure a strong pipeline and provide sustained support for building institutional capacity to enable direct access, and emphasizes that the execution of the readiness programme should take into account different national circumstances;
- (c) Recalls that, in accordance with decision B.08/11, paragraph (j), progress in meeting the objectives of the readiness and preparatory support programme will be subject to an independent evaluation;
- (d) Underscores the importance of significantly increasing the approval and timely disbursement of resources to support developing countries in undertaking country

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<sup>1</sup> At the date of publication of this document the names of some members of the ad hoc group on the strategic plan are still to be received. The complete list of members of the ad hoc group will be made available when received.

programming processes, and strengthening national institutions from the public and private sectors to access the GCF and to build country programmes and pipelines;

- (e) Requests the Secretariat, in consultation with national designated authorities and focal points and readiness delivery partners, to present to the Board at its twelfth meeting a proposal to improve and simplify the process to access funds for country programming and readiness and preparatory support;
- (f) Decides that an additional USD 14 million is to be made available for the execution of the readiness and preparatory support programme, including the activities referred to in paragraphs (b) and (d) above;
- (g) Reaffirms that the GCF, through its readiness and preparatory support programme, in coordination with other programmes and channels, may support a voluntary country-driven national adaptation planning process in accordance with paragraph 40 of the Governing Instrument for the GCF and decision B.08/11;
- (h) Decides to review the interim readiness funding allocation system at its twelfth meeting, in accordance with decision B.08/11, paragraph (h);
- (i) Requests the Secretariat to present, for consideration by the Board at its twelfth meeting, a revised allocation system for readiness and preparatory support taking into account the needs and priorities of developing countries and in line with decision B.06/06; and
- (j) Also requests that the revised allocation system for readiness and preparatory support includes an information note on how the GCF can support developing countries in their voluntary national adaptation planning processes, including activities for which the funds can be used.

## DECISION B.11/05

### Agenda item 8: Status of the Initial Resource Mobilization

The Board, having reviewed document GCF/B.11/Inf.05 titled “Status of the Initial Resource Mobilization process”:

- (a) Takes note of the information presented in document GCF/B.11/Inf.05;
- (b) Urges contributing countries to confirm their pledges to the Green Climate Fund (GCF) in the form of fully executed contribution agreements/arrangements as soon as possible;
- (c) Requests the Secretariat to prepare, for consideration by the Board at its fifteenth meeting, a document for understanding and defining alternative sources of financial inputs to the GCF that would be additional to current contributions, in accordance with decision B.05/04, paragraph (f); and
- (d) Also requests the Secretariat to develop, for consideration by the Board at its fourteenth meeting, policies and procedures for contributions from philanthropic foundations and other non-public and alternative sources to the Initial Resource Mobilization process, in accordance with decision B.08/13, annex XIX, paragraphs 5, 6 and 7, including a due-diligence process for these contributions.

## DECISION B.11/06

### Agenda item 32: Other matters

The Board:

- (a) Decides on the need to undertake and conclude a review of the performance of the Executive Director by the first meeting of the Board in 2016;
- (b) Establishes an Executive Director Performance Review Committee as an ad hoc committee of the Board in accordance with paragraphs 2(g) and 30 of the Rules of Procedure of the Board;
- (c) Adopts the terms of reference of the Executive Director Performance Review Committee, as set out in Annex I to this decision;
- (d) Appoints as members of the Executive Director Performance Review Committee:
  - (i) Mr. David Kaluba;
  - (ii) Ms. Caroline Leclerc;
  - (iii) Ms. Andrea Ledward; and
  - (iv) Mr. Yingming Yang;
- (e) Reaffirms the terms of reference, including the job description and qualifications, for the Executive Director adopted by decision B.01-13/07 (Annex XVI to the decision), which will guide the performance review of the Executive Director;
- (f) Adopts the methodology for the performance review set out in Annex II to this decision;
- (g) Decides to engage the services of an independent external evaluation firm to support the Executive Director Performance Review Committee;
- (h) Endorses the terms of reference of the independent external evaluation firm, as set out in Annex III to this document;
  - (i) Decides that the Executive Director Performance Review Committee will engage the independent external evaluation firm following a procurement process in accordance with the GCF procurement guidelines and supported by the Secretariat; and
  - (j) Approves a budget for the performance assessment process of the Executive Director, including the costs of the independent external evaluation firm of up to USD 20,000.

## **Annex I: Terms of reference of the Executive Director Performance Review Committee**

### **I. Role and functions**

2. The role of the Executive Director Performance Review Committee (ED Performance Review Committee) is to:

- (a) Develop an appropriate methodology for assessing the performance of the Executive Director in accordance with these terms of reference; and
- (b) Oversee the performance review of the Executive Director and report the results back to the Board at its first meeting in 2016.

3. In fulfilling this role, the ED Performance Review Committee will:

- (a) Oversee the development of a methodology for assessing the performance of the Executive Director that covers all areas of performance and seeks input from all relevant stakeholders;
- (b) Oversee the performance review of the Executive Director, drawing on the support of an independent external evaluation firm, and in line with the process contained in Annex II to decision B.11/06; and
- (c) Report the outcome to the Board at the first meeting of the Board in 2016.

### **II. Membership**

4. The ad hoc committee will comprise:

- (a) Two developing country Board members and/or alternate members; and
- (b) Two developed country Board members and/or alternate members.

5. Members of the ED Performance Review Committee will serve for its duration as per paragraph 6 below.

### **III. Duration**

6. The ED Performance Review Committee will be an ad hoc committee of the Board and shall function until the earlier of:

- (a) The conclusion of the performance assessment of the Executive Director; or
- (b) The Board having decided to terminate the Committee.

## **Annex II: Proposed guiding principles and methodology for the performance review of the Executive Director of the Independent Secretariat of the Green Climate Fund**

1. The Executive Director Performance Review Committee (ED Performance Review Committee) submits for Board consideration the following guiding principles and methodology for the performance review.

### **I. Guiding principles**

2. The review should:

- (a) Take into account the accountability of the Executive Director to the Board of the Green Climate Fund;
- (b) Cover the whole period of the Executive Director's term of office, which commenced on 9 September 2013;
- (c) Take into account the circumstances of the Independent Secretariat's functioning in this period, recognizing that the Executive Director led the transition from the Interim Secretariat and the establishment of the permanent Secretariat in Songdo, Republic of Korea. Other major functions included:
  - (i) Assisting the Board in the process for the Initial Resource Mobilization;
  - (ii) Initiating the recruitment of staff; and
  - (iii) Guiding the Secretariat's efforts in the processing of accreditation requests of national and international implementing entities and the presentation of funding proposals;
- (d) Be conducted in line with agreed policies and principles of the GCF with respect to transparency and inclusiveness.

### **II. Methodology**

3. The ED Performance Review Committee has analysed the processes used to review the performance of senior officials at comparable institutions and proposes that the independent external evaluation firm:

- (a) Facilitate the self-assessment of the performance of the Executive Director with regard to the duties adopted by Annex XVI to decision B.01-13/07;
- (b) Facilitate an online 360-degree leadership assessment exercise eliciting feedback from:
  - (i) All individual staff members, including direct reports;
  - (ii) All members of the Board and alternate Board members, including advisers; and
  - (iii) A representative sample of representatives of stakeholder groups, including GCF contributors and recipients; the Interim Trustee; relevant bodies under the United Nations Framework Convention on Climate Change; cooperating bilateral and multilateral institutions and agencies; the Government of the host country; and active observers;<sup>1</sup>

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<sup>1</sup> The Executive Director will be asked to provide at least five names from each category with whom she/he interacted.

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- (c) The 360-degree leadership assessment exercise will elicit qualitative and quantitative feedback on the following competencies:
- (i) Strategic leadership and delivery;
  - (ii) Builds organizational capacity and capability;
  - (iii) Manages people, finance and systems;
  - (iv) Mobilizes and sustains resources;
  - (v) Provides effective and timely support to the Board; and
  - (vi) Establishes and nurtures effective relationships;
- (d) Interview the Executive Director to review, complement and test the self-assessment and the results of the 360-degree leadership assessment exercise, in partnership with two representatives of the ED Performance Review Committee;<sup>2</sup>
- (e) The ED Performance Review Committee will:
- (i) Collate and review the information from the self-assessment, 360-degree leadership assessment exercise and interview; and
  - (ii) Report to the Board the collated information on the performance review of the Executive Director at the twelfth meeting of the Board to enable the Board to reach an overall assessment of performance, based on the recommendation of the ED Performance Review Committee.

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<sup>2</sup> One from a developing country and one from a developed country.

## **Annex III: Terms of reference for the independent external evaluation firm**

### **I. Introduction**

1. Paragraph 3 of the Governing Instrument establishes the Green Climate Fund (GCF) as “a continuously learning institution guided by processes for monitoring and evaluation”. This principle is applicable to all aspects of the operations of the GCF, including its projects and programmes, as well as the functioning of its Secretariat.
2. The GCF endeavours to nurture and develop talent in order to promote the most effective use of their expertise; to determine the quality of their service; to recognize their achievements; and to identify their training and development needs.
3. The Board notes the importance of providing feedback and evaluating performance, in order to facilitate learning and continuous improvement in the day-to-day operations of the Secretariat. Paragraph 20 of the Governing Instrument provides that “The Secretariat will be headed by an Executive Director with the necessary experience and skills, who will be appointed by and be accountable to the Board”.
4. The Board proposes to conduct a 360-degree leadership assessment exercise of the Executive Director (Assessee) of the GCF Secretariat. This would help the Assessee to gain insights on how she/he is perceived by other staff and stakeholders and have an opportunity to adjust behaviours and develop skills that will enable her/him to excel at her/his role.
5. This RFP seeks to identify an independent external evaluation firm that will assist the Executive Director Performance Review Committee (ED Performance Review Committee) in undertaking the tasks described below.

### **II. Objective of the assignment**

6. The objective of the assignment is to assist and facilitate the performance review of the Assessee as per the “Proposed guiding principles and methodology for the performance review of the Executive Director of the Independent Secretariat of the Green Climate Fund” (Annex II to decision B.11/06).

### **III. Scope and focus of the assignment**

7. The independent external evaluation firm would design/offer a powerful leadership development tool to conduct a 360-degree leadership assessment exercise in which the Assessee would be able to reflect through self-evaluation and receive anonymous feedback from the people with whom she/he works closely as per the “Proposed guiding principles and methodology for the performance review of the Executive Director of the Independent Secretariat of the Green Climate Fund” (Annex II to decision B.11/06).
8. In general, the tool will include, but may not be limited to, the following features:
  - (a) Designed to collect objective feedback from:
    - (i) All individual staff members, including direct reports;
    - (ii) All members of the Board and alternate Board members, including advisers; and
    - (iii) A representative sample of representatives of stakeholder groups, including GCF contributors and recipients; the Interim Trustee; relevant bodies under the United Nations Framework Convention on Climate Change; cooperating bilateral and

- multilateral institutions and agencies; the Government of the host country; and active observers;<sup>1</sup>
- (b) Internet-based administration and data collection;
  - (c) The capacity to administer to any number of respondents mentioned in paragraph 8(a) above;
  - (d) Utmost confidentiality;
  - (e) Detailed report and analysis with ratings, verbatim comments and graphs indicating strengths and areas for development; and
  - (f) Based on research conducted on the performance review processes of top-level executives in comparable institutions.
9. The consulting firm would follow the following process:
- (a) Understand the organization’s mission and the mandate and role of the Assessee;
  - (b) Identify dimensions/behaviours to be measured with respect to the terms of reference of the Assessee adopted by the Board in decision B.01-13/07 (Annex XVI to the decision) and the “Proposed guiding principles and methodology for the performance review of the Executive Director of the Independent Secretariat of the Green Climate Fund”, adopted by decision B.11/06 (Annex II);
  - (c) Draft and finalize the questionnaire for the 360-degree leadership assessment exercise based on consultation with the ED Performance Review Committee;
  - (d) Facilitate the steps outlined in paragraph 3 of the “Proposed guiding principles and methodology for the performance review of the Executive Director of the Independent Secretariat of the Green Climate Fund”, adopted by decision B.11/06 (Annex II);
  - (e) Present a detailed report to the ED Performance Review Committee and to the Assessee; and
  - (f) Work closely with the ED Performance Review Committee in each stage of the assignment.

#### **IV. Duration of the consultancy**

10. The consultancy is expected to take up to a maximum of six weeks starting from the date of signature of contract by both parties, subject to adjustments as required and mutually agreed upon.

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<sup>1</sup> The Executive Director will be asked to provide at least five names from each category with whom she/he interacted.

## DECISION B.11/07

### Agenda item 27: Update to administrative guidelines on procurement

The Board, having reviewed document GCF/B.11/20 titled “Update to administrative guidelines on corporate procurement”:

- (a) Decides to extend the period of application of the Corporate Procurement Guidelines on the Use of Consultants and the Corporate Procurement Guidelines for Goods and Services, as approved by the Board in decision B.08/21, to the end of its twelfth meeting;
- (b) Further decides that the Board will review the guidelines at its twelfth meeting; and
- (c) Authorizes the Executive Director to implement the guidelines.

## DECISION B.11/08

### Agenda item 23(c): Administrative budget for 2016–2018

The Board, having reviewed document GCF/B.11/12 titled “Administrative Budget of the Green Climate Fund for 2016–2018”:

- (a) Notes the proposed administrative budget of the Green Climate Fund (GCF), for the period from 1 January 2016 to 31 December 2016, as set out in Annex to document GCF/B.11/12;
- (b) Approves an administrative budget for the GCF of USD 29,157,227 as per the annex to this decision;
- (c) Requests the Secretariat to present a revised staff structure of the Secretariat and budget proposal for the GCF that responds to the strategic plan for the GCF for consideration by the Board at its thirteenth meeting; and
- (d) Decides to establish a Budget Committee as a standing committee of the Board, in accordance with paragraph 30 of the Rules of Procedure of the Board, and requests the Secretariat to present terms of reference of the Committee for consideration by the Board at its twelfth meeting.

## Annex: Administrative budget of the Green Climate Fund for 2016

Administrative budget of the GCF for 2016			
		Projected 2015	Approved budget 2016
<b>1</b>	<b>Board</b>		
1.1	<i>Board meetings</i>	1,118,994	1,322,000
1.2	<i>Co-Chair and Board representative travel</i>	22,500	22,500
1.3	<i>Board committees, panels and working groups</i>	1,056,210	1,491,000
1.4	<i>Accountability units</i>	-	800,053
	<b>Board</b>	<b>2,197,704</b>	<b>3,635,553</b>
<b>2</b>	<b>Secretariat</b>		
2.1	<i>Salaries and consultants</i>		
2.1.1	Full-time existing staff (56 approved positions)	7,683,633	11,359,464
2.1.2	Temporary support staff	250,000	-
2.1.3	Consultancies (approximately 70)	3,649,682	4,038,910
2.1.4	Travel of interview candidates and expert interview appraisers	72,000	
2.1.5	Relocation benefits and allowances	350,000	
	<b>Sub-total</b>	<b>12,005,315</b>	<b>15,398,374</b>
2.2	<i>Travel (Secretariat to exercise duties and representation)</i>	<b>975,500</b>	<b>1,269,500</b>
2.3	<i>Contractual services, general operating, information technology costs</i>		
2.3.1	Office utility costs	150,000	300,000
2.3.2	Contractual services (2 requests for proposals for the Private Sector Facility, development of manuals and guidelines, service to the Accreditation Panel, legal services, etc.)	1,550,040	4,117,000
2.3.3	Other Operating costs	-	275,000
2.3.4	Communication and printing	272,608	215,000
2.3.5	Information and communication technology	1,700,000	2,221,000
2.3.6	Depreciation of software and equipment	-	850,000
	<b>Subtotal</b>	<b>3,672,648</b>	<b>7,978,000</b>
	<b>Secretariat</b>	<b>16,653,463</b>	<b>24,645,874</b>
<b>3</b>	<b>Interim Trustees</b>	<b>715,700</b>	<b>875,800</b>
	<b>Grand total (1+2+3)</b>	<b>19,566,867</b>	<b>29,157,227</b>

## DECISION B.11/09

### Agenda item 31(b): Election of the Co-Chairs

The Board:

- (a) Requests the current Co-Chairs, assisted by the Secretariat, to present the report of the Green Climate Fund to the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change; and
- (b) Elects Mr. Zaheer Fakir and Mr. Ewen McDonald as the Co-Chairs for a period of one year.

## DECISION B.11/10

### Agenda item 15: Initial monitoring and accountability framework for accredited entities

The Board, having reviewed document GCF/B.11/05 titled “Initial monitoring and accountability framework for accredited entities”:

- (a) Recalling paragraph 23(j) of the Governing Instrument for the Green Climate Fund, adopts the monitoring and accountability framework for accredited entities as contained in annex I to this decision;
- (b) Requests the Secretariat to develop the appropriate tools and internal procedures to operationalize the initial monitoring and accountability framework, including standardized templates that take into account the nature of the entities and their capacities;
- (c) Also requests the Secretariat to annually report to the Board on the operationalization of the initial monitoring and accountability framework, including the Secretariat’s staffing requirements and budgetary implications;
- (d) Acknowledges that this framework is a living document and may be amended, as appropriate, based on lessons learned;
- (e) Adopts the interim policy on fees for accredited entities as detailed in annex II to this decision;
- (f) Requests the Accreditation Committee, with the support of the Secretariat, to develop a policy on fees for accredited entities for consideration by the Board by its fourteenth meeting. This policy will take into account the lessons learned from the interim policy on fees and relevant decisions of the Board and will explore options for a performance-based approach and appropriate incentives; and
- (g) Requests the Secretariat to conduct an analysis of the fee structure of comparable funds to establish the appropriateness and applicability of the fee structure to accredited direct access entities.

## Annex I: Monitoring and accountability framework for accredited entities

1. The monitoring and accountability framework of the Green Climate Fund (GCF) is designed to ensure the compliance of accredited entities (AEs) with their accreditation standards over time and effective implementation of each of the GCF-funded projects and programmes of the AE.
2. Monitoring and accountability involve a series of actors with specific roles and responsibilities. These include AEs; the Secretariat and the GCF accountability units; national designated authorities (NDAs) or focal points; the direct beneficiaries of the projects and programmes; project-affected people and communities; and other local actors such as local governments, civil society organizations, non-governmental organizations and the private sector. This annex outlines:
  - (a) The components of the monitoring and accountability framework, including reporting requirements for AEs and for individual GCF-funded activities;
  - (b) The risk-based monitoring approach to be implemented by the GCF;
  - (c) The incentives and remedial measures available in cases of non-compliance or poor performance;
  - (d) The process leading to re-accreditation of an AE; and
  - (e) Related online tools for monitoring and reporting by AEs, portfolio management by the Secretariat, communications between NDAs and AEs, and knowledge management for all stakeholders.
3. In terms of institutional responsibilities:
  - (a) The NDA or focal point will play an important role<sup>1</sup> in accordance with the “Initial best practice guidelines for the selection and establishment of national designated authorities and focal points”;<sup>2</sup>
  - (b) The AE is responsible for implementing the project in compliance with the funded activity agreement;
  - (c) The Secretariat will be responsible for implementing the monitoring and accountability framework; and
  - (d) The accountability units of the GCF will play a role according to the mandate in their terms of reference.
4. This document aims to provide a general framework for monitoring and accountability. Detailed operational procedures, guidelines and tools will be developed in order to implement this framework in consultation with relevant stakeholders.

### I. Monitoring and accountability framework components

5. Recalling paragraph 23 (j) of the Governing Instrument for the GCF, the Secretariat will carry out monitoring and evaluation functions. The framework will be built on two components: monitoring of AE compliance with the accreditation standards of the GCF; and monitoring and evaluation of individual funded activities (projects or programmes).

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<sup>1</sup> Decision B.10/10.

<sup>2</sup> Decision B.08/10, paragraph (c).

## 1.1 Accredited entity compliance

6. The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07.

7. During the five-year accreditation term, the GCF will monitor the compliance of the AE with the standards of the GCF and its obligations, as follows:

(a) On an annual basis, AEs should provide a self-assessment of their compliance with the GCF fiduciary standards, environmental and social safeguards (ESS) and gender policy. For international entities, the self-assessment should also include a report on the support provided to direct access entities for accreditation or to build their capacity, as requested by the Board (decision B.10/06, paragraph (i)). The Secretariat will develop a standard template for such reports, adequately taking into account the nature of the entities and their capacities;

(b) At the midpoint of the accreditation period, the Secretariat will undertake a light-touch mid-term review of the compliance performance of the AE. The Secretariat will develop standard terms of reference for the mid-term reviews; and

(c) If needed, the GCF will initiate additional ad hoc compliance reviews.<sup>3</sup>

8. The Secretariat will be responsible for programming mid-term reviews and any ad hoc reviews, in coordination with the AE, and for producing the relevant reports.

9. Once a year, the Secretariat will report to the Board on the consolidated results of the self-assessments, mid-term reviews and ad hoc reviews.

## 1.2 Funded activity monitoring

10. AEs are primarily responsible for the monitoring and evaluation of their funded activities, and will report accordingly to the GCF.

11. During the project/programme implementation period, reporting requirements may include the following to the GCF:

(a) Annual performance reports (APRs), including financial management reports. Among other things, the financial management reports will include dates and amounts disbursed for each funded activity and compliance with financial covenants; and

(b) An interim evaluation report and a final evaluation report for each funded activity. These project-/programme-level evaluations should also assess the performance of the funded activity against the GCF investment framework criteria, including financial/economic performances as part of the project/programme efficiency and effectiveness criterion.

12. During the post-implementation period, the submission of APRs might be required. In some cases, it will not be cost-effective to contract the AE to provide post-implementation monitoring. In these cases, the GCF would develop alternative arrangements.

13. The contents of APRs should include a narrative report (with supporting data as needed) on implementation progress based on the logical framework submitted in the funding

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<sup>3</sup> If stipulated in the accreditation master agreement; or if the GCF revises its guiding framework for the accreditation process or substantially revises the GCF fiduciary standards, ESS and/or gender policy that are the requirements for accreditation; or if there is evidence of a lack of compliance by the AE with the legal terms agreed with the GCF, its fiduciary standards, its ESS and/or gender policy; or if there is any emerging indication of misuse of the entrusted financial resources.

proposal and considerations on the ongoing performance of the project/programme against the GCF investment framework criteria, including updates on the indicators and a report on ESS as well as gender. The report should be aligned with the modalities set out in the GCF results management framework<sup>4</sup> and its performance measurement frameworks for adaptation and mitigation,<sup>5</sup> as amended and updated from time to time. Reporting requirements on ESS in the APR will be consistent with the GCF environmental and social management system.

14. On an annual basis, the Secretariat will report to the Board on the performance of the AEs in relation to their GCF-funded activities. This report will be based on the APRs received from AEs and will include information on progress made in implementation, potential risks and lessons learned.

15. At the project/programme level, the AE should include participatory monitoring, involving communities and local stakeholders, including civil society organizations, at all stages of the project/programme cycle from the beginning. For participatory monitoring of the overall portfolio of GCF-funded projects and programmes in each country, the NDA or focal point is encouraged to organize an annual participatory review for local stakeholders, notably project-affected people and communities, including women and civil society organizations. The participatory review will adhere to the following:

- (a) The policy of the GCF is to communicate in English. In cases where participatory review requires materials in local languages in order to be effective and meaningful, the NDA, in cooperation with the AE, shall provide such materials in a timely manner in advance of the participatory review; and
- (b) The readiness programme, in coordination with the NDA, may provide support to such participatory monitoring and reviews.

16. The Secretariat may decide to undertake additional ad hoc checks to follow up on the reports on compliance and performance submitted by AEs. These ad hoc checks may include site visits and will be arranged in coordination with the NDA/focal point and the AE. The risk-based approach to the selection of ad hoc checks is discussed below.

## II. Risk-based monitoring approach

17. As a part of the GCF overall risk management framework, the Secretariat will develop an early warning system based on risk flags and will use all available sources of information; moreover, it may update the flags at any time. These flags will reflect the Secretariat's assessment of the following:

- (a) Risks related to the project itself (project risk flags); and
- (b) Risks related to the overall performance of the AE (AE risk flags).

18. Risk flags will be reported as part of the GCF risk dashboard presented periodically to the Board.

19. In cases where the Secretariat assigns a project risk flag, the Secretariat should also estimate the value of commitments at risk under the project. This reflects the fact that only some parts/components of the project may be affected by delays or poor/improper execution.

20. In cases where the Secretariat assigns an AE risk flag, the value of commitments at risk would typically include all components for which implementation has already taken place – across all projects in the GCF-funded portfolio of the AE. To avoid double-counting, the

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<sup>4</sup> Decision B.07/04.

<sup>5</sup> Decision B.08/07.

Secretariat would only assign an AE risk flag in cases where there are systemic risks over and above the risks already captured by the project risk flags for that AE.

21. The country risk flag is intended to reflect a significant deterioration in the economic and/or political environment in which the AE is operating. For example, in extreme cases of political upheaval, the GCF may need to temporarily suspend operations until the legitimacy of the new authorities is fully confirmed.
22. The GCF monitoring and accountability framework will use a risk-based approach to decide on the ad hoc checks, with the Secretariat taking into account risk flags as well as other information that may be presented to the GCF in determining where to conduct the preponderance of ad hoc checks. In addition, the Secretariat will conduct a small number of ad hoc checks each year on a random basis.
23. An annual review will be conducted by the Secretariat on a given proportion by number of projects and programmes.<sup>6</sup> The annual review will consist of an analysis of the information available from the overall risk management system of the GCF.
24. The selection of projects and programmes in the annual review will be risk-based and will include the following criteria:
  - (a) Projects/programmes of AEs that have an outstanding accreditation condition;
  - (b) Projects/programmes that have a risk flag assigned by the monitoring and accountability process;
  - (c) Projects/programmes classified in the high environmental and social risk category A/intermediation 1; and
  - (d) Any projects under special oversight.

### III. Incentives and remedial measures

25. In cases where the Secretariat identifies AE compliance or performance issues, the Secretariat will inform the AE that a risk flag has been assigned and will invite the AE to discuss and agree on the following:
  - (a) An action programme of immediate remedial measures to resolve these issues, including deadlines for the completion of each step in the action programme by the end of a 'cure period'; and
  - (b) If needed, capacity-building support in order for the AE to avoid the recurrence of similar issues over the medium term (with possible support, in coordination with the NDA, from the Readiness and Preparatory Support Programme for direct access entities).<sup>7</sup>
26. At the same time, the Secretariat will inform the AE of the additional measures that may be taken if the issues remain unresolved at the end of the cure period. The timing and nature of these additional measures might depend on the nature of the impacts and risks and to some extent on the possible impacts on the reputation of the GCF.
27. The main options for remedial measures may include the partial or total suspension of disbursements or commitments at project level, reclaiming of funds already disbursed to the AE, as appropriate, or, if relevant, at the AE level.

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<sup>6</sup> Decision B.10/07, paragraph (d) (iii).

<sup>7</sup> Readiness support will be available for the prevention of future problems but not for the resolution of immediate issues.

28. In cases where it is decided that the accreditation of the AE will be suspended, cancelled or downgraded, the GCF will negotiate an orderly process for the winding down and closure of GCF-funded projects.

29. In some cases, the GCF may wish to preserve business continuity on existing GCF-financed projects with an AE whose accreditation has been changed. The accreditation master agreement (AMA) and the funded activity agreement (FAA) will include provisions giving the GCF step-in rights in these cases.

30. The Secretariat will be responsible for issuing and closing-out risk flags. All decisions on suspension, cancellation and/or changing of the accreditation status of an AE will be subject to Board approval. This information will be included in the annual report by the Secretariat to the Board.

#### **IV. Re-accreditation**

31. The risk-based approach will also apply to the re-accreditation of AEs at the end of their five-year accreditation period. In the six months prior to the end of the accreditation period, the AE may submit an application either for re-accreditation in the same categories as before, or for accreditation in higher categories (i.e. upgrade).

32. For each re-accreditation application, the Secretariat and the Accreditation Panel will review reports relating to the performance of the AE over the previous five years, including reports on the GCF-funded activities of the AE.

33. The review will pay particular attention to all risk flags incurred by the projects, AE or country over the previous five years and, based on the information provided, make a recommendation to the Board if the AE wishes to extend its accreditation in the same categories as before.

34. In some cases, the Accreditation Panel may recommend to the Board that the accreditation be changed to a lower accreditation category (i.e. downgrade).

35. In accordance with decision B.10/06, paragraph (j), to advance the goal of the GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, the re-accreditation decision by the Board will take into account the Secretariat and Accreditation Panel's assessment of the extent to which the AE's overall portfolio of activities beyond those funded by the GCF has evolved in this direction during the accreditation period.

#### **V. Tools**

36. The GCF will probably be receiving large volumes of information from project-level and AE-level reporting; it is therefore important that appropriate business intelligence tools that automatize and efficiently manage information are developed. An integrated online platform should be developed to include the following functions:

- (a) A portfolio management system to allow the Secretariat to capture all documents in the cycle from accreditation of an AE right through to the most recent project reports and interim/final evaluations, including a real-time database of risk flags, searchable by AE and by project/programme. This system will integrate the monitoring and reporting toolkits that allow the AEs to report online time-based reports (such as the APRs and project/programme indicators as reported in the funding proposal) and any event-based report;

- (b) An interactive portal, in compliance with the current GCF information disclosure policy, designed to facilitate:
    - (i) Communications between NDAs, AEs, project-affected people and communities in a structured manner in relevant languages; and
    - (ii) Organization of NDA annual participatory reviews and the dissemination of their findings; and
    - (c) A knowledge management platform designed to organize, validate and publish all documents that are disclosable under the current GCF information disclosure policy to all stakeholders and the public at large.
37. Where local stakeholders do not have access to online information, these should be complemented by in-country consultation and information dissemination, as appropriate.

## Annex II: Interim policy on fees for accredited entities

1. The table below shows the proposed interim fees structure for accredited entities of the Green Climate Fund (GCF). The percentages shown in the table below represent the maximum fees for the size categories.

**Table 1. Schedule of cap on fees applicable to public sector projects/programmes**

Size*	Fee cap % of GCF funding (on grant)
Micro (<USD 10 million)	10%
Small (USD 10–50 million)	9%
Medium (USD 50–250 million)	8%
Large (>USD 250 million)	7%

2. The present value of the fees paid over the life of a loan (disbursement and repayment periods) will be equivalent to the total amount of fees paid for a similar grant-funded project.

3. The fees cap on readiness grants will be 10 per cent.

4. The following services will be covered by the GCF fees:

- (a) Project or programme implementation and supervision;
- (b) Project or programme completion and evaluations; and
- (c) Reporting.

5. The GCF amount approved for a project/programme will not include fees to be paid to the accredited entity.

6. The fees paid to an accredited entity will not duplicate other forms of support provided to the entity, such as technical assistance.

7. Under decision B.09/04, the Board decided 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. It also decided 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.

8. In line with this, the fees for the private sector and fees for non-grant instruments other than concessional loans to the public sector should be decided on a case-by-case basis.

9. Timing of fees disbursement:

- (a) Fees on grants will be proportionally disbursed along with each grant instalment; and
- (b) Fees on loans will be paid semi-annually in advance.

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\* Annex I to decision B.08/02.

## DECISION B.11/11

### Agenda item 11: Consideration of funding proposals

The Board, having considered document GCF/B.11/04 titled “Consideration of funding proposals” and its related addenda, as well as matters related to the proposal approval process:

- (a) Recognizes that the Green Climate Fund (GCF) has agreed an initial framework of policies and procedures related to the proposal submission and approval processes;
- (b) Notes that the GCF is a continuously learning institution and will draw on the lessons from this first round of proposal consideration in order to improve the process in future iterations;
- (c) Acknowledges existing policy gaps in the GCF approval process, including project eligibility criteria, calculation of incremental costs, and risk investment criteria;
- (d) Notes common areas in which projects could provide a better demonstration of how they meet existing GCF policies taking into account the gaps in paragraph (c) above at the eleventh meeting of the Board, including but not limited to:
  - (i) The linkage between climate actions and how they enable economic development to proceed in a sustainable manner;
  - (ii) How the project/programme incorporates potential innovation;
  - (iii) How benefits will be sustained once GCF financing ends;
  - (iv) Monitoring and evaluation, including how lessons can be disseminated to inform and possibly promote replication in other regions/countries;
  - (v) How benefits for women and girls will be delivered;
  - (vi) How fiduciary weaknesses in project countries will be addressed;
  - (vii) Country ownership and effective stakeholder engagement; and
  - (viii) Additionality of the funding;
- (e) Also notes convergence on the need within the approval process to enhance transparency, clarity, accessibility, balance, knowledge management and country ownership, including by actively seeking the participation of national designated authorities, focal points and relevant stakeholders in the early stages of the project cycle and beyond the provision of the no-objection letter;
- (f) Further notes convergence on the need to ensure that matters related to enhancing transparency and scaling up of the GCF pipeline are captured in the preparation of the strategic plan for the GCF and related decisions on country programming, and readiness and preparatory support, with the objective of ensuring sufficient country ownership and enhancing the participation of direct access entities;
- (g) Requests the Secretariat to provide an update of the pipeline portfolio and to submit it for information to the Board as part of the documentation submitted for every Board meeting;
- (h) Further requests the Secretariat to include the assessment of the independent Technical Advisory Panel (TAP) of each funding proposal as part of the documentation published on the GCF website for funding proposals;
- (i) Agrees to include in the consideration of the 2016 work plan matters related to outstanding decisions regarding the proposal approval process and the project and programme activity cycle. This would include consideration of matters related to the implementation of decision B.07/03 and Annex VII thereto and paragraph 53 of the Governing Instrument for the

GCF with regard to the simplified process for the approval of proposals for certain activities, in particular for small-scale activities;

- (j) Decides to review the proposal approval process approved by the Board in decision B.07/03 and Annex VII to document GCF/B.07/11 based on the experience gathered from the review of the first batch of proposals submitted for consideration of the Board, with a view to:
- (i) Strengthening and scaling up the GCF pipeline, including the country programme pipeline;
  - (ii) Streamlining and improving the transparency of the proposal approval process;
  - (iii) Defining further decision-making options, including deferral of proposal approvals;
  - (iv) Reviewing how concept notes should work within the project cycle, facilitating the feedback of the TAP on concept notes and facilitating contact of the TAP with accredited entities as useful and necessary;
  - (v) Supporting the Board to make decisions regarding funding proposals;
  - (vi) Strengthening project/programme eligibility criteria, including categories of incremental cost eligible for funding; and
  - (vii) Developing interim procedures for redress pending the recruitment of the head of the independent redress mechanism;

The review will include, but is not limited to, the policy gaps listed in paragraph (c) above and other common areas as contained in paragraph (d) above;

(k) Requests the Secretariat to undertake this review overseen by the ad hoc group of Board members as set out in decision B.11/03, to discuss at the informal meeting of the Board and subsequently deliver a progress report at the twelfth meeting of the Board and a final report at the thirteenth meeting;

(l) Also decides to establish a project preparation facility to provide funding of up to 10 per cent of requested GCF funding with a maximum of USD 1.5 million for any single proposal. The process would involve concept notes providing due justification of need from accredited entities. After an appropriate review and an initial assessment against the investment criteria and justification of need, the Secretariat will send its funding request for project preparation to the Board for approval. The project preparation facility would be targeted to small-scale activities and direct access entities. The Secretariat will review the project preparation facility for consideration by the Board at its fourteenth meeting;

- (m) Aspires to approve funding proposals in 2016 to a value of USD 2.5 billion;
- (n) Requests the Accreditation Committee in the accreditation strategy to include options for streamlining modalities for fast-tracking accreditation of national implementing entities using third-party assessments as appropriate;
- (o) Also requests the Secretariat, in consultation with the TAP, national designated authorities, focal points and accredited entities to simplify the funding proposal template and concept note template in an expeditious manner;
- (p) Decides that concept notes sent to the GCF should include a clear paragraph indicating how the project fits in with the country's national priorities and its full ownership of the concept;
- (q) Takes note of the following funding proposals:

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- (i) Funding proposal 001 titled “Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru” (submitted by Profonanpe), as contained in document GCF/B.11/04/Add.01;
- (ii) Funding proposal 002 titled “Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi” (submitted by the United Nations Development Programme), as contained in document GCF/B.11/04/Add.02;
- (iii) Funding proposal 003 titled “Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal” (submitted by Centre de Suivi Ecologique), as contained in document GCF/B.11/04/Add.03;
- (iv) Funding proposal 004 titled “Climate Resilient Infrastructure Mainstreaming in Bangladesh” (submitted by KfW Development Bank), as contained in document GCF/B.11/04/Add.04;
- (v) Funding proposal 005 titled “KawiSafi Ventures Fund” (submitted by Acumen), as contained in document GCF/B.11/04/Add.05/Rev.05;
- (vi) Funding proposal 006 titled “Energy Efficiency Green Bond in Latin America and the Caribbean” (submitted by the Inter-American Development Bank), as contained in document GCF/B.11/04/Add.06;
- (vii) Funding proposal 007 titled “Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages” (submitted by the United Nations Development Programme), as contained in document GCF/B.11/04/Add.07; and
- (viii) Funding proposal 008 titled “Urban Water Supply and Wastewater Management Project in Fiji” (submitted by the Asian Development Bank), as contained in document GCF/B.11/04/Add.08;
- (r) Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex to this decision, the amount of USD 6.24 million in grants for the project titled “Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru”, submitted by Profonanpe;
- (s) Approves, contingent on the due consideration of the recommendations as contained in Annex to this decision, the amount of USD 12.295 million in grants for the project titled “Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi”, submitted by the United Nations Development Programme;
- (t) Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex to this decision, the amount of USD 7.61 million in grants for the project titled “Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal”, submitted by Centre de Suivi Ecologique;
- (u) Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex to this decision, the amount of USD 40 million in grants for the project titled “Climate Resilient Infrastructure Mainstreaming in Bangladesh”, submitted by KfW Development Bank;
- (v) Approves, contingent on the fulfilment of the conditions as contained in Annex to this decision, the amount of USD 20 million in equity and, subject to Acumen’s upgrade of the accreditation type for the specialized fiduciary standard for grant award and/or funding allocation mechanisms, USD 5 million in grants for the programme titled “KawiSafi Ventures Fund”, submitted by Acumen;

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- (w) Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex to this decision, the amount of USD 20 million of guarantee for the pilot phase in Mexico and USD 2 million as a programme development grant for the programme titled “Energy Efficiency Green Bond in Latin America and the Caribbean” in Colombia, the Dominican Republic and Jamaica, submitted by the Inter-American Development Bank;
- (x) Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex to this decision, the allocation of USD 195 million for the next phases of the programme titled “Energy Efficiency Green Bond in Latin America and the Caribbean”, to be committed, subject to funding approval by the Board, in several tranches over the course of the next five years;
- (y) Approves, contingent on the due consideration of the recommendation as contained in Annex to this decision, the amount of USD 23.64 million in grants for the project titled “Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages”, submitted by the United Nations Development Programme;
- (z) Approves the amount of USD 31.04 million in grants for the project titled “Urban Water Supply and Wastewater Management Project in Fiji”, submitted by the Asian Development Bank;
- (aa) Reaffirms that pursuant to decision B.07/03, Annex VII, the Executive Director or her designee is authorized to negotiate and enter into legal agreements on behalf of the GCF with accredited entities in respect of funding proposals approved by the Board, taking into account any condition set by the Board in this decision and in the decision accrediting the relevant accredited entity; and
- (bb) Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the interim policy on fees for accredited entities.

## Annex: List of conditions and recommendations

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

Funding proposal number	Conditions
<b>All proposals</b>	<p>The funded activity agreement shall be entered into within a period not in excess of 180 days<sup>a</sup> after the date of Board approval or the date when all internal approvals by the accredited entity are obtained, whichever is later. Moreover, the following conditions shall be met:</p> <p><u>Conditions to be met prior to the execution of the funded activity agreement:<sup>b</sup></u></p> <ul style="list-style-type: none"> <li>(i) Finalization of the accreditation master agreement in form and substance satisfactory to the GCF;</li> <li>(ii) Completion of the legal due diligence to the satisfaction of the GCF; and</li> <li>(iii) Obtaining all final internal approvals by the accredited entity to implement the project or programme, and a legal opinion/certificate confirming this within 120 days<sup>c</sup> after Board approval<sup>d</sup></li> </ul> <p><u>Conditions to be met prior to disbursement:</u></p> <ul style="list-style-type: none"> <li>(i) Finalization of legal documentation in form and substance satisfactory to the GCF; and</li> <li>(ii) Fulfilment of any conditions precedent included in the funded activity agreement to the satisfaction of the GCF</li> </ul>

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

Funding proposal number	Conditions and recommendations
<b>FP001</b> (Profonanpe: Peru)	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(i) Satisfaction of the accreditation condition prescribed in decision B.09/07, Annex VII;</li> <li>(ii) The accredited entity to clarify which indigenous organizations wish to participate in the project and to obtain clear written consent from their representative organizations in order to ensure that the project is only implemented in the territories of the indigenous organizations that have provided their clear consent to the project;</li> <li>(iii) The accredited entity to provide the opportunity for the participating indigenous organizations to take part in project design in dialogue with the accredited entity;</li> <li>(iv) Presentation of the climate change strategy outline, including all the components of the project with concrete outcomes, indicators and timing;</li> <li>(v) Presentation of a project team structure, including institutional agreements with stakeholders; and</li> <li>(vi) Presentation of the knowledge and communication strategy outline</li> </ul>

<sup>a</sup> For FP004 (KfW Development Bank: Bangladesh), the period shall be 360 days.

<sup>b</sup> The funded activity agreement embodies the legal arrangements between the GCF and the accredited entity, as specified in decision B.07/03, Annex VII, paragraph 6.1.

<sup>c</sup> For FP008 (Asian Development Bank: Fiji), obtaining all internal approvals by the accredited entity to implement the project, and a legal opinion confirming this shall be within 360 days after Board approval.

<sup>d</sup> According to the proposed accreditation master agreement template, the number of days may be specified by the Board in its approval decision, but not to exceed 120 days after Board approval.

	<p><u>Conditions to be met during the implementation of the project:</u></p> <p>(i) Presentation of business plans for each of the seven bio-businesses</p> <p><u>Recommendations:</u></p> <p>(i) The accredited entity to ensure the inclusion of this project in the regional and national climate change strategies, particularly in REDD-plus activities;</p> <p>(ii) Greenhouse gas emissions accounting to be adjusted according to the national forest reference level when available;</p> <p>(iii) The consultation process and safeguards implementation with indigenous communities, including conflict resolution mechanisms, to follow the national legislation and available guidance for REDD-plus implementation in Peru; and</p> <p>(iv) The accredited entity to work closely with the local governments to access public funding to support the project's long-term sustainability</p>
<p><b>FP002</b> (United Nations Development Programme: Malawi)</p>	<p><u>Recommendations:</u></p> <p>(i) The accredited entity to ensure greater institutional strengthening of monitoring and evaluation activities through clearly defined indicators and the application of robust evaluation tools so that the evaluation during and after the project implementation becomes worthwhile and is used as a learning tool; and</p> <p>(ii) The accredited entity to strengthen the learning and outreach efforts of the proposed project by reflecting on the lessons learned to facilitate replication in other countries, with the aim of contributing towards the greater global common good</p>
<p><b>FP003</b> (Centre de Suivi Ecologique: Senegal)</p>	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p>(i) Satisfaction of the accreditation conditions prescribed in decision B.09/07, Annex IV; and</p> <p>(ii) Submission of a detailed procurement plan in form and substance satisfactory to the GCF</p> <p><u>Recommendations:</u></p> <p>(i) Improvement of the logical framework during the first year of project implementation and to quantify, as well as to validate, the indicators with their baselines and targets with the project stakeholders and beneficiary communities; and</p> <p>(ii) A higher level of ambition may be exhibited with the same budget, supplemented with a clearly defined theory of change</p>
<p><b>FP004</b> (KfW Development Bank: Bangladesh)</p>	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p>(i) Submission of detailed cost estimates;</p> <p>(ii) Submission of a detailed procurement plan in form and substance satisfactory to the GCF; and</p> <p>(iii) Provision of a concrete theory of change and a methodology regarding how the functioning of the climate information system will be generated and mainstreamed with all other stakeholders within the country</p> <p><u>Recommendations:</u></p> <p>(i) The recipient of component 1 to produce a manual highlighting the needs-specific steps and detailing methods and examples of design criteria that are likely to be utilized by various national stakeholders towards building resilience in infrastructure throughout Bangladesh; and</p> <p>(ii) Component 1 can be revitalized to place the responsibility for managing the Climate Resilient Local Infrastructure Center with a leading national agency other than the Local Government Engineering Department</p>



<p><b>FP005</b> (Acumen: KawiSafi Ventures Fund)</p>	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(i) Satisfaction of the accreditation condition prescribed in decision B.09/07, Annex VII;</li> <li>(ii) Material terms and conditions set forth in the term sheet attached to the funding proposal, provided, however, that the GCF benefits from more favorable terms that may be provided to other limited partners for the initial closing of the KawiSafi Ventures Fund</li> </ul>
<p><b>FP006</b> (Inter-American Development Bank: Green Bond)</p>	<p><u>Conditions for the USD 20 million guarantee for the pilot phase of the programme in Mexico:</u></p> <ul style="list-style-type: none"> <li>(i) Material terms and conditions set forth in the term sheet attached to the funding proposal</li> </ul> <p><u>Conditions for the USD 2 million programme development grant for the programme in Colombia, the Dominican Republic and Jamaica:</u></p> <ul style="list-style-type: none"> <li>(i) Avoid concentration of funding in programme development in beneficiary countries and ensure fair and equitable access to the funds, in particular for the two small island developing States participating in the programme. The maximum amount of GCF funding sought under the programme development grant for each targeted country should not exceed 35%. Any excess of resources allocated to any given programme development could be reallocated to the other one</li> </ul> <p><u>Conditions for the USD 195 million allocation for the next phases of the programme:</u></p> <ul style="list-style-type: none"> <li>(i) Avoid concentration of funding in some beneficiary countries and ensure fair and equitable access to the funds, in particular for the small island developing States participating in the programme; and</li> <li>(ii) The Inter-American Development Bank to report to the GCF on the performance and outcomes of the implementation of the pilot phase of the project before the GCF Board approves funding for subsequent phases</li> </ul> <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> <li>(i) Appointment of external counsel(s) by the GCF to provide relevant advice to the GCF prior to executing legal documentation related to this programme; and</li> <li>(ii) Before the signing of the funded activity agreement, development of a climate change framework from each of the Energy Service Companies, including: <ul style="list-style-type: none"> <li>- Technology transfer and innovation;</li> <li>- Knowledge-sharing among small and medium-sized enterprises; and</li> <li>- Knowledge aggregation with concrete indicators</li> </ul> </li> </ul>
<p><b>FP007</b> (United Nations Development Programme: Maldives)</p>	<p><u>Recommendation:</u></p> <ul style="list-style-type: none"> <li>(i) During the project inception phase, the executing entity and the utilities to set an agreed implementation road map and actively involve the communities in the maintenance of the rainwater harvest systems</li> </ul>
<p><b>FP008</b> (Asian Development Bank: Fiji)</p>	<p>None</p>

## DECISION B.11/12

### Agenda item 24: Updated administrative guidelines on human resources

The Board, having considered the information contained in document GCF/B.11/19 titled “Updated administrative guidelines on human resources”:

- (a) Takes note of the recommendations made by members of the Board and the clarifications provided by the Secretariat;
- (b) Also takes note of the revised salary structure of the Asian Development Bank and the study conducted on the cost of living;
- (c) Notes that the Executive Director may apply, in exceptional cases based on experience and merit considerations, more flexibility to appoint staff on a broader range, between the minimum and midpoint, on each salary level, based on a gradual negotiation which starts at the minimum;
- (d) Approves the continued application of the administrative guidelines on human resources until the Board shall have approved the revised guidelines;
- (e) Requests Board members to provide written suggestions for possible changes to the guidelines by 15 December 2015;
- (f) Also requests the Secretariat to consider the proposed changes and present the revised guidelines with the appropriate changes to the Board for its approval; and
- (g) Decides to review the administrative guidelines on human resources at its twelfth meeting.

## DECISION B.11/13

### Agenda item 30: Date and venue of the following meeting of the Board

The Board, having reviewed document GCF/B.11/16 titled “Date and venue of the next meeting of the Board of the Green Climate Fund”:

- (a) Decides that:
  - (i) The twelfth meeting of the Board will take place in the week of 7 March 2016, in Songdo, Republic of Korea. The Co-Chairs will, in collaboration with the Secretariat, develop the provisional agenda and communicate the exact dates of the meeting;
  - (ii) The thirteenth meeting of the Board will take place from Tuesday, 28 June 2016, to Thursday, 30 June 2016, in Songdo, Republic of Korea, with these dates to be confirmed at the twelfth meeting of the Board;
  - (iii) The fourteenth meeting of the Board will take place from Tuesday, 18 October 2016, to Thursday, 20 October 2016, with these dates to be confirmed at the thirteenth meeting of the Board; and
- (b) Welcomes the confirmation by Ecuador of its interest to host the fourteenth meeting of the Board.

## DECISION B.11/14

### Agenda item 6: Report from committees, panels and groups

The Board, having reviewed document GCF/B.11/23 titled “Appointment of members to committees of the Board”:

(a) Appoints as members of the Investment Committee, for a term starting on 8 July 2015:

(i) Mr. Frank Fass-Metz;

(ii) Ms. Kate Hughes; and

(iii) Mr. Atsuyuki Oike;

(b) Also appoints as members of the Risk Management Committee, for a term starting on 8 July 2015:

(i) Mr. Arnaud Buisse;

(ii) Mr. Masaaki Iizuka; and

(iii) Mr. Jacob Waslander;

(c) Further appoints Ms. Ludovica Soderini as member of the Ethics and Audit Committee, for a term starting on the date of adoption of this decision;

(d) Appoints Mr. Morten Elkjær as member of the Private Sector Advisory Group, for the second term; and

(e) Also appoints as members of the Accreditation Committee, for the second term:

(i) Mr. Henrik Harboe;

(ii) Mr. Leonardo Martinez-Diaz; and

(iii) Mr. Anders Wallberg.

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