



**GREEN
CLIMATE
FUND**

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

GCF/B.11/25

29 February 2016

Report of the eleventh meeting of the Board, 2–5 November 2015

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Agenda item 1: Opening of the meeting

1. The Co-Chairs, Mr. Henrik Harboe and Mr. Gabriel Quijandria Acosta, opened the meeting on Monday, 5 November 2015 at 9 a.m.
2. They welcomed the new members and alternate members of the Board, including some joining for the first time: Mr. Amjad Abdulla, Mr. Jozef Buys, Mr. Stuart Calman, Mr. Jose Delgado, Mr. Morten Elkjær, Mr. Franz Fass-Metz, Mr. Masaaki Iizuka, Ms. Caroline Leclerc, Mr. Tosi Mpanu, Mr. Javier Sanz Muñoz, Mr. Teimuraz Murgulia, Mr. Karsten Sach, Mr. Ricardo Nogueira, Mr. Juha Pyykkö, Mr. Lars Roth and Mr. Anders Wallberg. The Co-Chairs then welcomed back the following members and alternate members continuing in their role for the second term of Board membership: Mr. Arnaud Buisse, Mr. Dipak Dasgupta, Mr. Omar El-Arini, Mr. Zaheer Fakir, Mr. Frederic Glanois, Mr. Henrik Harboe, Ms. Kate Hughes, Ms. Andrea Ledward, Mr. Leonardo Martinez-Diaz, Mr. Ewen McDonald, Mr. Atsuyuki Oike, Mr. Stefan Marco Schwager, Mr. Ayman Shasly, Mr. Jacob Waslander, Ms. Ludovica Soderini and Mr. Yingming Yang.
3. The Co-Chairs acknowledged those members and alternate members of the Board who were not able to join the meeting: Mr. Irfa Ampri, Mr. Azimuddin bin Bahari, Mr. Newaye Gebre-Ab, Ms. Audrey Joy Grant, Mr. Nojibur Rahman and Mr. Saad Ahmad Warraich.
4. They welcomed the four active observers identified by the observer community present in the Board room. Representing civil society organizations (CSOs): Mr. Brandon Wu from ActionAid International; and Ms. Andrea Rodriguez from the Interamerican Association for Environmental Defense, in place of Ms. Meena Raman from Third World Network, who could not attend the meeting. Representing public sector organizations (PSOs): Ms. Gwyneth Andrews from the World Business Council for Sustainable Development; and Mr. Abyd Karmali from the Climate Markets and Investment Association.
5. The Co-Chairs also welcomed observers following proceedings in the overflow room, including representatives from national designated authorities (NDAs) and accredited entities (AEs).
6. They expressed their appreciation to the Government of the Republic of Zambia for their hospitality. The Board member for Zambia, Mr. David Kaluba, extended a warm welcome to Board members to both Livingstone, Zambia and the continent of Africa where projects funded by the GCF will take place. Board members expressed their thanks to Mr. David Kaluba and to the Government of the Republic of Zambia.
7. The Co-Chairs, the Executive Director and the Secretary to the Board made further welcoming remarks, underlining both how far the GCF had come, but also how much more work remained to be done, and moved to the following agenda item.

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

8. The Co-Chairs opened the agenda item, noting that the provisional agenda was first distributed as document GCF/B.11/01/Drf.01 titled “Provisional agenda” on 2 October 2015, before being revised following extensive consultation, with a suggested sequence and timetable incorporated, and transmitted as document GCF/B.11/01/Drf.02 titled “Provisional agenda” to the Board for consideration.
9. The Co-Chairs proposed that a decision be taken under the agenda item “Reports from committees, panels and groups” on one item, “Appointment of members to committees of the Board”. This item was initially proposed for a decision in between meetings; however, an objection was received from a Board member. In addition, in line with decision B.10/06 taken by the Board at its tenth meeting agreeing “to revise the membership of the Accreditation

Committee”, the Co-Chairs proposed that the Board take a decision on the appointment of two additional members to the Accreditation Committee, under the same agenda item.

10. One Board member began by noting with regret that the Board was still divided on certain matters, and urged all to work together as the GCF moved into a second phase, both during and between meetings, to address and share concerns, ensuring that the process was transparent at all levels, and to deliver a GCF which could enact a real paradigm shift. This comment was endorsed by others.

11. Some Board members expressed a desire to rearrange the order of some items on the agenda. In particular, there were calls from some members to delay the discussion on funding proposals in order to be fully prepared, resolve certain process issues and outline a clear strategic plan first, and approve funding proposals based on clearly understood foundations. They proposed to bring forward the discussion on replenishment, swapping this item in the order with agenda item 12, titled “Information disclosure policy”, to come before the discussion on funding proposals, in order to have a clear idea of the resources available and the path forward set out for the GCF.

12. One Board member highlighted that the matter of new committee members could be brought forward so that members waiting to be confirmed could participate fully throughout the Board meeting.

13. Three other members expressed the desire to approve the agenda as presented and move onto substantive items immediately, as extensive discussions and consultations had already been held to find the best agenda possible.

14. The Co-Chairs took note of the comments, while explaining that careful consideration had already gone into the preparation of the agenda; they suggested that the discussion on funding proposals should still begin on day 2 of the meeting, so as not to rush a decision on this important matter. They suggested discussing new committee members under agenda item 6 titled “Reports from committees, panels and groups”. As they heard no arguments against bringing the item on replenishment forward, they stated that this could be done.

15. The Board members that had proposed delaying consideration of the item on funding proposals agreed to the suggestion put forward by the Co-Chairs, proposing that the item could be split in two: a first section discussing the general message and content underlying future proposals and the mission of the GCF; followed by the consideration of the specific proposals.

16. The Co-Chairs stated that this was the plan.

17. One Board member highlighted that they would not accept a linkage between the replenishment process and funding proposals, insisting rather on the linkage of the GCF as part of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC).

18. The Co-Chairs proposed swapping agenda items 10 and 12 as suggested, and adopting the agenda with that amendment. Seeing no objections, the Board adopted the agenda as set out in document GCF/B.11/01/Drf.02 as follows:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of the tenth Board meeting
4. Report on activities of the Co-Chairs
5. Report on activities of the Secretariat
6. Reports from committees, panels and groups
7. Readiness programme implementation (progress report)

8. Status of the initial resource mobilisation
9. Strategic plan for the Green Climate Fund (progress report)
10. Information disclosure policy
11. Consideration of funding proposals
12. Arrangements for the first formal replenishment of the Fund
13. Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund (progress report)
14. Policies addressing fraud, corruption and other prohibited practices, and policies addressing anti-money laundering and countering the financing of terrorism (status update)
15. Initial monitoring and accountability framework for accredited entities
16. Report on implementation of legal and formal arrangements with accredited entities (Accreditation Master Agreement)
17. Strategy on accreditation (progress report)
18. Consideration of accreditation proposals
19. Initial risk management framework: progress report and risk register
20. Comparison of salary levels for comparable positions at other specialized global funds for the heads of the accountability units
21. Simplified processes for approval of proposals for micro and small-scale activities
22. The financial statements of the Green Climate Fund for the year ended December 2014 and Annual Report 2014/15
23. Administrative, financial and institutional matters:
 - (a) Status of resources and the execution of the administrative budget
 - (b) Annual update of the structure and staffing of the Secretariat
 - (c) Administrative budget for 2016 – 2018 24.
24. Updated administrative guidelines on human resources
25. Work plan for the meetings of the Board in 2016, including outstanding items from previous meetings
26. Establishment of the Appointment Committee as a standing Board committee, including the performance review of the Executive Director
27. Updated administrative guidelines on procurement
28. Policies on ethics and conflicts of interest for other Board appointed officials and active observers
29. Communications strategy of the Green Climate Fund
30. Date and venue of the next meeting of the Board
31. Board Membership:
 - (a) Status of the selection of Board members for the term 2016-2018
 - (b) Election of Co-Chairs
32. Other matters

33. Report of the meeting
34. Closure of the meeting

Agenda item 3: Adoption of the report of the tenth Board meeting

19. The Co-Chairs opened the item and drew the attention of the Board to document GCF/B.10/18 titled “Report of the tenth meeting of the Board, 6–9 July 2015”.
20. Some Board members raised operational issues. Two requested that the Secretariat endeavour to transmit the report to Board members much sooner and suggested a time limit of perhaps two weeks after the meeting for the report to be circulated. Another Board member suggested that the report could be a little shorter and with a summary at the beginning.
21. The Secretary to the Board informed Board members that two weeks was a very short period of time for the report to be drafted by the team of report writers as it also involved listening to audio recordings and reviewing decisions. It then needed to be checked and cleaned. They noted that the Secretariat would strive to circulate the compendium of decisions to Board members two weeks after the end of the meeting.
22. In addition, the Secretary to the Board noted that for the first time all decisions would be made available on the GCF website in compliance with paragraph 13 of the Rules of Procedure of the Board for the benefit of both Board members and the wider public.
23. The Co-Chairs noted the recommendations regarding the operational issues of report length and timing, and the report was duly adopted.

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

24. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/Inf.02 titled “Report on Activities of the Co-Chairs”.
25. They stated that the report provided information on the main activities of the Co-Chairs since the tenth Board meeting, outlined some of those activities, and invited the Board to take note of the report.
26. Several Board members thanked the Co-Chairs for their work. One Board member asked why some of their queries had gone unanswered, stating the need to bridge gaps and improve communications.
27. The Co-Chairs said they would strive to improve on that, but that due to busy work schedules, on occasion a message might sometimes take longer to reply.
28. A Board member thanked the Secretariat and Co-Chairs for establishing contact with the Adaptation Committee and Technology Mechanism of the UNFCCC, and that this regular contact was important and could provide synergies. It was further noted that the GCF still needed to make suggestions for potential linkages with the Technology Mechanism as requested by the COP.
29. Three Board members raised a concern that the Board, through its Co-Chairs or members delegated by the Co-Chairs, was not visible enough to the outside world in communicating decisions taken and in attending events, and urged the Co-Chairs to play a more prominent role in terms of outreach. They wondered whether the low visibility was due to a lack of availability or lack of invitations to events.
30. The Co-Chairs noted that they had responded to all invitations to events, but had not always been able to attend events due to conflicting schedules. They noted that they had addressed the Ad Hoc Working Group on the Durban Platform for Enhanced Action in June and

in October 2015, and that they had participated in UNFCCC meetings. They took note of the call for a more prominent role to be played by Co-Chairs. They stated that the Board would discuss linkages between the GCF and other UN and UNFCCC bodies in 2016.

31. The Co-Chairs closed the agenda item.

Agenda item 5: Report on activities of the Secretariat

32. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/Inf.03 titled “Report on the activities of the Secretariat”.

33. The Executive Director introduced the document and gave a short presentation. She outlined the activities conducted over the reporting period, highlighting that the body of documentation supporting the deliberations of the Board was just the tip of the iceberg in terms of the work of the Secretariat. She thanked the Secretariat for its hard work and long hours, underlining the dedication, passion and competence of the staff at the GCF in handling the sharp growth in diversity and scale of activities supported. These activities included, inter alia, readiness support, accreditation support, funding proposals, mobilization of resources, risk management, financial management, institutional support, recruitment, work on privileges and immunities, preparation of Board documentation and outreach.

Workload and structure of the Secretariat

34. A large number of Board members acknowledged the significant progress made by the Secretariat since the tenth Board meeting. Many commented on the hard work, dedication and willingness to help of staff, visible throughout their work.

35. Several Board members expressed concern about the sustainability of the current staff structure and workload in the light of the increasing demand from NDAs, AEs and other external stakeholders. They highlighted the need to ensure that the staff structure was in line with the needs and functions of the Secretariat, and several members felt that it would be necessary to increase the number of staff. A few members expressed concern that the GCF was relying on too many consultants and that vacant posts had not yet been filled, potentially highlighting an issue with recruitment and retention of staff.

36. One Board member questioned the different terms used in the report, and the implications thereof with regard to the structure of the Secretariat. They noted that rather than consistently referring to the Secretariat, there seemed to be a compartmentalization, with the Office of the General Counsel referred to on occasion, the Private Sector Facility (PSF) at other times, and so forth. They believed that this raised issues in terms of hierarchy and impact on decision-making.

37. The Executive Director thanked the Board for all the positive words of appreciation on the work of the Secretariat, highlighting that this encouragement was valuable to staff. She suggested that many of the matters under discussion at the meeting would be covered under agenda item 23 titled “Administrative, financial and institutional matters”.

Culture of the organization

38. A few Board members pointed to the need to consider the organizational culture of the GCF, including the hierarchy of its bodies, transparency, and the adequacy and frequency of information provision to external stakeholders. They noted that this could be addressed in discussions on the strategic plan for the GCF.

39. One Board member stressed the importance of ensuring that the GCF was an organic whole, in which different units were not taking on different cultures of their own, as seemed to be suggested in the use of various terms such as the Office of the General Counsel in lieu and place of the Secretariat or the GCF in the report.

Communications

40. Several Board members called for clarity in relation to both GCF communications with external stakeholders and how the Board and the Secretariat operated in this regard.

41. Some Board members noted that this discussion would also be touched upon under other relevant agenda items, such as the discussion on a strategic plan for the GCF. One member added that a statement reflecting the mission of the GCF could be issued once a clearer strategic plan had been established, ensuring the visibility of the GCF as a viable and legitimate partner for countries coping with climate change.

42. Specifically, Board members asked for clear information on the messages communicated by the External Director in high-level meetings, and the outcomes of said meetings.

43. One Board member added that the manner in which decisions of the Board were communicated to stakeholders, including NDAs and AEs, by the Secretariat was also important, in order to ensure mistaken impressions were dispelled, expectations were managed and transparency was ensured.

44. Several Board members requested improved communication and information-sharing on critical issues between the Board and the Secretariat between Board meetings.

45. One Board member highlighted that the Board members themselves had a key role to play in explaining the role and development of the GCF, as they all had communication channels and points of contact with relevant stakeholders wanting more information. Another Board member supported this, adding that the Co-Chairs in particular were especially important in this regard.

46. One Board member commented that, given the increasing number of entities with which the GCF was in contact, particularly AEs, an increase in staff numbers would be required to ensure that communication remained adequate.

47. A few Board members asked for the specific communication plans for COP 21 to be laid out, as the message presented at that meeting would be essential, in particular in relation to how the GCF would fit into the intended nationally determined contributions (INDC) process.

48. A representative of the Secretariat explained that there were four main channels through which the GCF communicated with the public: the GCF website (recent launch of a new website), regular updates via e-mail (3,000 followers in the global mailing list), occasional dispatches to summarize activities; and media outreach (including interviews). They added that updates and briefings were also being organized with Board members and other stakeholders to allow them to inform the wider community. The staff member stated that further details could be discussed under agenda item 29 titled "Communications strategy of the Green Climate Fund".

49. The Executive Director noted that communication between the Secretariat and NDAs would be addressed under agenda item 7 titled "Readiness programme implementation (progress report)". They also indicated that engagement with AEs would be covered under agenda item 11 titled "Consideration of funding proposals".

50. She explained that during COP 21, two side events would be held to provide an update on the progress of the GCF since the previous COP session, as well as on bilateral outreach activities.

Engagement with the UNFCCC

51. One Board member also encouraged more proactive engagement by the Secretariat with UNFCCC bodies, such as the Technology Mechanism and the Adaptation Committee. Another member pointed to paragraph 29 of the report on the activities of the Secretariat, noting that all draft decisions should not only be reviewed for compatibility with the Governing Instrument for the GCF and previous Board decisions, but also with COP decisions and the UNFCCC.

52. The Secretary to the Board confirmed that both formal and informal engagement with the UNFCCC took place; the Secretariat strove to participate in UNFCCC meetings in person or virtually. They also noted that document GCF/B.11/02 titled “Work plan for meetings of the Board in 2016, including outstanding items from previous meetings” envisaged a specific agenda item at the thirteenth meeting of the Board (item 18 in Annex II, section III) on engagement with the UNFCCC.

Cooperation between the Board and the Secretariat

53. Several Board members called for increased transparency and information-sharing between the Board and the Secretariat, noting that although some progress had been made, work on the matter remained to be done. In particular, some Board members asked for the Secretariat to provide more information in between meetings on the status of decisions and other matters, and to seek guidance from the Board if necessary. Others also noted that new members in particular would benefit from increased support from the Secretariat.

54. One Board member highlighted that the Secretariat had seemingly failed to provide a response to the African constituency on questions related to the functioning of the Board and the Secretariat’s engagement with certain countries. The Executive Director asked for clarification on which request from the African constituency had gone unanswered, as to her knowledge all comments had received a response.

55. Furthermore, a member reminded the Secretariat of the need to provide all documentation to the Board at least three weeks prior to Board meetings. Another suggested that the report of the meeting could be made available immediately at the end of the Board meeting. Also, the Secretariat was reminded of the need to provide a work programme for the Board, in line with the Governing Instrument.

56. The Secretary to the Board outlined the process for communicating draft decisions and comments in between meetings, acknowledging that this was sometimes a lengthy process due to the nature of comments received and responses provided, limited staff capacity, as well as time overlap between meetings. The Executive Director noted that there would be further discussion of these matters under agenda item 12 titled “Information disclosure policy”.

Private sector

57. One Board member made a positive comment on the number of private sector entities that were seeking accreditation from the GCF through the PSF, highlighting the growing enthusiasm throughout the world for the PSF.

58. However, several Board members enquired about the progress of a request for proposals (RFP) by the PSF to retain the services of an external firm that would design, launch and manage the RFP programmes for micro-, small- and medium-sized enterprises (MSMEs) and for mobilizing funding at scale. They noted with concern that only one response had been received following two RFPs.

59. With regard to the RFP, the Executive Director responded that efforts were under way to trigger additional interest. She asked for guidance from the Board on whether to proceed under

the 2016 budget with the only firm which had submitted a proposal following the first two RFPs, or relaunch the RFP process a third time.

60. Another Board member expressed concern about the role of the Secretariat in relation to the Private Sector Advisory Group (PSAG), repeating a question that they had raised at the previous Board meeting, and asked if there had been any improvements in this regard.

61. Regarding the PSAG question, the Executive Director confirmed that no meeting between the Secretariat and the PSAG had been held, but that the concerns raised previously had been taken into account.

Observers

62. One Board member stated that consultations with observers were seldom undertaken and sometimes conducted on an ad hoc basis; a more systematic approach should be sought by the GCF.

63. The PSO active observer expressed thanks for and recognition of how far the GCF had come over the past two years. They reiterated the need for a more strategic plan for consultation with observers. With regard to the PSF and the difficulties in attracting a firm to draft RFPs for the participation of MSMEs and mobilizing funds at scale, they noted that they could not recall seeing any such call and could not find it on the GCF website, and therefore suggested that there had been a visibility-related issue. They offered to help in providing a database of firms who may be interested. They noted further that the PSO and CSO observers would appreciate being able to scrutinize the RFPs, alongside the PSAG.

64. The Executive Director responded that the 2016 work plan, as set out in document GCF/B.11/02, included (in Annex II, section III, item 21) a potential agenda item at the thirteenth meeting of the Board on the participation of observers, and the development of a document on said topic. They noted that guidance received during the meeting on this issue would feed into that approach, and that observers would be closely involved in the development of the above-mentioned document.

Privileges and immunities

65. Several Board members called for the removal of paragraph 9 of the Annex to the report on the activities of the Secretariat, stressing that further discussion on the matter of institutional linkage for privileges and immunities was required, pursuant to COP guidance to continue deliberations while pursuing bilateral negotiations with countries.

66. One Board member remarked that the approval of projects and programmes could potentially speed up the process of bilateral agreements in relation to immunities and privileges, at least in beneficiary countries. Others commented that bilateral negotiations were already under way in their countries, but that this required time and parliamentary approval.

67. The General Counsel explained that paragraph 9 of the Annex to document GCF/B.11/Inf.03 strove to reflect previous decisions B.05/11 and B.08/24 on institutional linkage with the United Nations. They stressed the utmost importance of privileges and immunities given the magnitude of the GCF and its missions, highlighting that this was an area of concern.

68. The Co-Chairs proposed issuing a corrigendum of the document, removing paragraph 9 thereof, pursuant to requests by Board members. They suggested continuing deliberation on institutional linkage at a future Board meeting.

69. A Board member stressed that if the Board took note of a certain report that did not automatically mean that the Board agreed with what was written in the report. They also

reiterated that in future, important actions/requests should be presented separately in decision texts and not in information papers.

70. The Co-Chairs confirmed that no decision was being taken at the current meeting and adjourned consideration of the agenda item, requesting a corrigendum of document GCF/B.11/Inf.03 to be issued.

71. The Co-Chairs reopened the agenda item, and the General Counsel presented the revised document, noting that paragraph 9 of the Annex had been deleted.

Agenda item 6: Reports from committees, panels and groups

72. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/Inf.04 titled “Reports from committees and panels of the Board of the Green Climate Fund”.

73. Representatives from the Accreditation Committee (Mr. David Kaluba), the Accreditation Panel (Mr. Peter Carter), the Appointment Committee (Mr. Zaheer Fakir), the Ethics and Audit Committee (Mr. Leonardo Martinez-Diaz), the Investment Committee (Mr. Dipak Dasgupta), the PSAG (Mr. Zaheer Fakir), the Risk Management Committee (Mr. Jacob Waslander) and the independent Technical Advisory Panel (Mr. Jo Yamagata) presented reports on their activities during the reporting period and next steps for the future.

74. The Co-Chairs took note of these reports.

75. The Co-Chairs then drew the attention of the Board to document GCF/B.11/23 titled “Appointment of members to committees of the Board”.

76. They suggested that proposed new members of the Accreditation Committee and the Ethics and Audit Committee be involved immediately, with a practical arrangement allowing such participation pending a formal decision on the new members at the end of the Board meeting. This suggestion faced no objection from members of the Board; it was therefore agreed that new members could begin working with the committees.

77. Later in the meeting, one Board member drew the attention of the Board to the need to formalize the approval of new members which had been provisionally agreed to.

78. The Secretary to the Board drew the attention of the Board to the draft decision contained within document GCF/B.11/23.

79. Mr. Ewen McDonald noted that as he had been elected as one of the new Co-Chairs, he would be standing down from the Investment Committee with immediate effect, with Mr. Masaaki Iizuka taking his place.

80. A Board member called for the insertion of a clause in paragraph (e) appointing the members of the Accreditation Committee “for terms starting on 15 November”.

81. Seeing no objections, the Co-Chairs adopted decision B.11/14.

DECISION B.11/14

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. Franz 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.*

Agenda item 7: Readiness programme implementation (progress report)

82. The Co-Chairs opened the agenda item.
83. A representative of the Secretariat introduced document GCF/B.11/06 titled “Readiness programme implementation (progress report)”.
84. They outlined the current status of the readiness programme, noting that priority countries such as the least developed countries (LDCs), small island developing States (SIDS) and African States were well represented, with countries from all regions involved.
85. They highlighted the start of the disbursement of funding to developing countries. Support was being focused in particular on NDAs and focal points under activity areas 1 and 2, with more planned to follow shortly.
86. They also noted the key focus on direct access, with in-kind support as well as institutional gap assessments provided to help entities.
87. They outlined efforts to meet the NDAs’ demand for information, including the development of a guidance note and templates published on the GCF website, and an online information-sharing system. Furthermore, they highlighted the regional workshops held and the positive feedback received regarding this outreach.
88. Finally, the representative noted engagement with other institutions to establish synergies, and set out the road map and projections for the coming months, including a request to the Board for additional funding to match demand for the programme.
89. The Co-Chairs invited comments from the Board.
90. Board members reiterated the importance of readiness and preparatory support for enhancing country ownership, ensuring stakeholder engagement, strengthening coordination at the national level and ensuring complementarity with other funds and institutions. A Board member noted that readiness support was an investment that would ensure that country programmes were robust, transformative, at scale, responsive to country needs, inclusive and sustainable. The importance of ensuring that readiness and preparatory support gave priority to SIDS, LDCs and African States was emphasized. A Board member noted that the model for readiness support should be based on trust and empowerment of countries.

91. Several Board members expressed support for the proposed decision to make additional funding available for readiness and preparatory support, while several also requested further information on how the proposed USD 14 million in additional funding would be used. One Board member proposed that the funding for readiness be more ambitious than the USD 14 million proposed. Another suggested that the USD 300,000 of direct support to NDAs or focal points agreed in decision B.08/11 was insufficient and should be increased.
92. However, several Board members then questioned the need for additional funding for readiness at this stage, given that the commitments and disbursements of readiness funds to date were below the target set in document GCF/B.10/Inf.06 titled “Progress report on the readiness and preparatory support programme”.
93. Several Board members proposed that greater attention be placed on activity areas 3 and 4, as these would be crucial in ensuring that the GCF had a diverse group of AEs through which to work, as well as a robust and transformative pipeline of projects.
94. Several Board members expressed concern that the pace at which the readiness and preparatory support programme had been rolled out was too slow. A Board member noted that the number of international AEs exceeded the number of national AEs, and pointed to the role of the readiness programme in ensuring that national entities did not fall behind.
95. A representative of the Secretariat explained that the proposed USD 14 million was based on projections of commitments and disbursements building on the current pace over the preceding few months. They noted that the Secretariat had made progress in speeding up the timeline for processing readiness requests, and that work was ongoing to advance disbursements, but in some cases took time since countries had varying national legal processes in place in order to receive funds. They explained that it was estimated that USD 28 million in readiness funds would be committed by mid-2016. They further noted that for activity areas 1 and 2 funding would be released in three tranches for the majority of countries. Therefore, waiting until a certain level of disbursement was reached before committing more funding would delay the advancement of the readiness and preparatory programme.
96. Some Board members noted the need to increase Secretariat staff capacity to engage in readiness and preparatory support, while others questioned the need for additional staff, raising the concern that the Secretariat would be taking on additional implementing responsibilities. A Board member proposed that the Secretariat strengthen its cooperation with delivery partners to roll out readiness support.
97. A representative of the Secretariat explained that the Secretariat was not implementing readiness and preparatory support, but rather playing a coordinating role and working through other institutions as delivery partners. They explained that the Secretariat had established a readiness coordination mechanism which included all the major readiness delivery partners. They further emphasized that Secretariat staffing needs were uniquely directed to maintaining relationships with NDAs and focal points.
98. A Board member proposed that the Secretariat’s reporting on the readiness and preparatory support programme should in future be based on outcomes and impacts rather than on output.
99. A representative of the Secretariat confirmed that as the readiness and preparatory support programme moved into its implementation stage, it would start to learn lessons from the ground and change the nature of reports to measure outcomes and impact on the ground. They noted that work was already under way on instruments to measure such impacts, including through surveys of NDAs/focal points and other stakeholders in countries, and through working with partners.
100. Several Board members backed the proposal to support national adaptation plans (NAPs) through the readiness and preparatory support programme. However, several other

members pointed out that funding for the development of NAPs was available to countries through other channels, and requested further information on how the proposed USD 2 million per country would be used, and on how the Secretariat would avoid the duplication of work. Several Board members noted that national adaptation planning was a process, and not a stand-alone product, and that any support from the readiness and preparatory support programme for NAPs should be inclusive, consultative and iterative. It was further noted that the development of a NAP was a voluntary process, and it should be the prerogative of each country to determine whether it wished to access readiness and preparatory resources from the GCF to this end. A Board member further suggested that support for the NAP process should not be capped, while another suggested that the proposed funds should support climate-related planning processes more broadly, and not be limited to NAP processes.

101. A representative of the Secretariat clarified that the proposed funding for NAPs would be to support a national adaptation planning process rather than the specific preparation of plans. They noted that the proposal to support NAPs originated from Board decisions as well as guidance from the COP, and from paragraph 40 of the Governing Instrument. They further noted that information collected through a survey of readiness implementing partners indicated that the current cap of USD 1 million was insufficient to support this process. The proposed activities related to funding a NAP process would be linked to activity areas 2 and 4.

102. Several Board members noted that they had attended the regional workshops organized by the Secretariat to strengthen dialogue and multi-stakeholder engagement with countries. They further noted that the workshops afforded a valuable opportunity for direct engagement of NDAs/focal points and national implementing entities with the Secretariat, with Board members and with each other, and for sharing information about the GCF. They encouraged the Secretariat to organize such events on a regular basis. One Board member reported to the Board some of the feedback received from NDAs/focal points on the readiness programme at a regional workshop, including concerns about the length of the process for accessing readiness support, and the restrictive rules around limits on the number of workshops and the number of participants at workshops that could be supported under activity areas 1 and 2.

103. A CSO active observer welcomed the progress made in developing the readiness support programme. However, they raised concerns regarding the lack of transparency, access to information and stakeholder participation for readiness activities at national level, which made it difficult to assess impact. They called for information to be made public at an early stage to enable local stakeholders to engage with NDAs and other key stakeholders effectively and to avoid the duplication of work. They expressed appreciation for the efforts made by the Secretariat to reach out to civil society in planning readiness workshops, but asked for this engagement to be expanded. Lastly, they called for more funding to be channelled towards enhancing direct access, and for NAPs to be included as part of the adaptation window.

104. A PSO active observer noted the excellent progress made to date, given financial and staffing constraints. They highlighted that two of the most important outcomes of readiness activities for the private sector were investment policies that could attract private investment and a pipeline of investable opportunities to reduce emissions and enhance resilience. They supported a move to outcome-oriented indicators, such as specific changes in policy geared to attracting low-carbon, climate-resilient finance and specific investment opportunities that could be financed by the GCF.

105. The Co-Chairs proposed to incorporate the comments and suggestions by the Board into a revised draft decision to be presented for consideration later in the meeting. The discussion of the item was adjourned.

106. The Co-Chairs reopened the agenda item and another round of comments was made.

107. In particular, one Board member highlighted the need for an independent evaluation of progress in meeting the objectives of the readiness and preparatory support programme.

108. The Co-Chairs took note of the additional observations and again adjourned the item to revise the draft decision.

109. The Co-Chairs opened the agenda item for a final time to present the revised draft decision, which was duly adopted.

DECISION B.11/04

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 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.*

Agenda item 8: Status of the Initial Resource Mobilization

110. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/Inf.05 titled “Status of the Initial Resource Mobilization process”. They invited the Secretariat to introduce the item.

111. The Secretariat presented an update on the Initial Resource Mobilization (IRM) process. As of 5 October 2015, 27 out of 37 countries that initially made pledges had signed contribution agreements for a total of USD 5.83 billion equivalent, using the exchange rates of the pledging conference. However, there were still 14 countries that had not signed the contribution agreements for part or all of their pledges. Significant progress was being made with Canada, France, Italy, Spain, Switzerland and the United States of America and agreements for all or part of the pledges may be signed before the end of 2015.

112. As of 5 October 2015, when the report was prepared, the level of commitment authority was USD 852 million equivalent, using exchange rates of the pledging conference. This was the total amount of funding decisions that could be made against the total available resources from the IRM, in the form of cash and promissory notes. As of 27 October 2015, the GCF had received deposits of USD 394 million in cash and USD 991 million in promissory notes; therefore, the commitment authority from the IRM process stood at USD 1.385 billion equivalent, using exchange rates of the pledging conference.

113. The forecast commitment authority for the entire IRM period, until the end of 2018, was projected as follows: for 2015: USD 1.958 billion equivalent; for 2016: USD 1.3 billion equivalent; for 2017: USD 1.3 billion equivalent; and for 2018: approximately USD 1 billion equivalent.

114. In order to raise additional contributions throughout the IRM period, the Secretariat presented a series of activities which could be undertaken by the GCF. The main activities which the Secretariat would like the Board to consider were:

- (a) Annual pledging conferences for all public sector contributors, including developed and developing countries and sub-sovereign entities that are willing to contribute;
- (b) Pledging conferences for non-public sector contributors; and
- (c) Consideration of innovative ways to accept contributions from individuals. For non-public sectors and individuals, the policies to accept contributions would be submitted to the Board at its thirteenth meeting in 2016.

115. One Board member requested that a copy of the presentation by the Secretariat be sent to Board members by e-mail. Another asked if there were any limitations imposed by contributors in terms of the nature of contributions. The representative of the Secretariat confirmed that there was no earmarking and that all agreements were published on the GCF website.

116. Further updates were received from a number of members whose countries had pledged but not yet signed contribution agreements for either all or a proportion of their pledged amounts. These included updates from Canada, Italy, Spain and the United States of America. An increase from USD 5 million to USD 20 million in a contribution from Luxembourg was also noted. France also provided an update, explaining that the first tranche (USD 104 million) of its grant contribution had been transferred a few days earlier. They noted that the process to transfer the loan section of their contribution was a little more complex, but that they would not leave Zambia without a stabilized text on the loan agreement.

117. Several Board members expressed support for the progress made to date, while others underlined their concern that some contributor countries had not yet signed agreements and that some traditional donors had not pledged anything to the GCF.

118. One Board member stated that the pledge tracker was a very useful tool for informing Board members. However, another Board member noted that on the new GCF website the term “capitalization” was used, and asked whether the term “resource mobilization” should be used instead. The representative of the Secretariat confirmed that they had taken note of this comment and would consider whether the term “capitalization” should be changed to “resource mobilization”.

119. Another Board member stressed how important it was for the GCF to move forward quickly with a pipeline of projects so as to build a solid track record. They said that if this did not happen it could backfire when it came to explaining why it was necessary to transfer new amounts of money.

120. Another Board member raised a number of questions regarding encashment on demand in relation to concerns that accredited entities could only work with cash rather than promissory notes. The representative of the Secretariat responded that there was an encashment option as part of the policy for contributions. The policy allowed for flexibility if the Board wished to anticipate encashment, but noted that negotiations with the contributor would be required.

121. The Executive Director reminded Board members that the GCF disbursement management system was designed to ensure that the GCF was differentiated from other funds with a stand-alone capacity, with decisions on financial risk management including asset liability management and, within that, cash flow management. All decisions taken over the past two years by the Board had pointed to the fact that capacity to undertake cash flow projections, liquidity projections and disbursement instructions to be sent to the Trustee have been set out in policies entrusted to the Chief Financial Officer and the Risk Manager.

122. A number of further concerns were raised. These included:

- (a) The need for the GCF to manage currency risk and whether it should hedge those risks. In response, the Secretariat noted that foreign currency risk would be managed as part of the overall risk management framework and that members would have access to greater information when the GCF’s risk appetite and detailed risk guidelines were considered by the Board. A paper would be developed by the Secretariat and presented to the Board at its thirteenth meeting setting out a proposed approach for managing currency risk. One Board member stated that they were not in favour of a hedging process;
- (b) The need to ensure that the level of approved funding proposals and disbursement of funds were commensurate with the amounts of funding commitments available was noted. A mismatch would lead to a large build-up of funds held with the Interim Trustee, which would impact negatively both on replenishment and on the reputation of the GCF. In addition, the need for country ownership of funding proposals was noted; and
- (c) The need to avoid a multiplicity of agreements with Accredited Entities. The Executive Director noted that Accreditation Master Agreements provided an overall framework agreement for the relationship between the GCF and AEs. This leads to a simplified project agreement between the parties.

123. Following a summary from the Co-Chairs, the item was suspended. It was duly reopened and Board members reviewed a revised decision text following a proposal from a Board member for the decision to be based on the original information document.

124. Several Board members wished to see paragraphs of the decision text deleted or revised. Proposals were made to include a timeline for converting remaining pledges into signed agreements. However, some Board members representing contributor countries stated that inserting a date in the text would not help them in progressing their pledges into signed agreements. The Co-Chairs noted that there was no consensus on this matter.

125. A number of Board members expressed support to develop policies for alternative sources of funding. One Board member stated that it would be useful if the Secretariat produced a short paper defining alternative sources. Another Board member noted that it would not be a good use of money to commission a study on alternative sources. Another Board member stressed that the current focus should not be on alternative sources, but on ensuring that the IRM was completed first.

126. A PSO active observer stressed that decisions should be made on any outstanding policies with regard to non-traditional sources of contributions, and that outreach to alternative sources in the private sector and to individuals should begin. They noted that providing funds and technologies to developing countries was a task not just for government, but for everyone.

127. Following a further recess, a revised text was presented to the Board and the decision was adopted.

DECISION B.11/05

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.*

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

128. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.10/Inf.07 titled “Strategic plan for the Green Climate Fund (progress report)”. They invited a member of the Secretariat to address the Board.

129. The member of the Secretariat began their presentation of the document and the work of the Secretariat in furthering reflection on a potential strategic plan for the GCF.

130. A member of the Board interrupted the presentation to raise a point of order, indicating that the Board had requested a progress report on a strategic plan and that they did not consider that the existing document and presentation fulfilled that request. They further considered that the Secretariat had gone beyond its mandate and suggested that the Co-Chairs withdraw this document; they believed that document GCF/B.11/Inf.07/Add.01 titled “Strategic plan for the Green Climate Fund (progress report) – addendum”, containing the comments and input from Board members, should form the basis for discussion of the agenda item instead. This was supported by two other Board members.

131. Several other Board members acknowledged these points, but requested to first hear the presentation by the Secretariat in full before deciding on a way forward.

132. The Co-Chairs established a small working group to work on terms of reference for a strategic plan. The following Board members were appointed to the working group: Mr. Omar El-Arini, Mr. Ewen McDonald, Mr. Karsten Sach and Mr. Christian Salas.

133. The Co-Chairs then decided to adjourn consideration of the agenda item in order to address the point of order raised by a Board member.

134. The Co-Chairs reopened the agenda item and ruled to replace document GCF/B.11/Inf.07 with document GCF/B.11/Inf.07/Add.01, immediately proceeding to a discussion of the agenda item by Board members.

Importance of a strategic plan

135. In the discussion that followed, there was general consensus among Board members on the importance of creating a strategic plan, with a unified overarching vision for the GCF, clearly articulating the purpose and mandate of the organization, and how the GCF intends to generate transformational change. Several Board members suggested that providing this bigger picture would also help in communicating the goals of the GCF in order to increase support for the Fund among the public and key decision makers.

136. Furthermore, there was also general consensus on the importance and appropriateness of developing a strategic plan at the current point in time, as the GCF had begun to mature and move into a second phase of considering projects for approval. Several members indicated the urgency of developing such a plan, stating that the process should not be delayed further.

Process for the development of the plan

137. There was general consensus among Board members that a working group on strategy should be formed to oversee the development of the strategic plan, to be presented to the Board at its twelfth Board meeting.

138. Board members also agreed that an informal meeting should be held before the twelfth meeting of the Board to allow members to share their views on the subject.

139. Several Board members then recalled the importance of transparency in proceedings, as well as the importance of engagement and consultation with a broad range of stakeholders, including NDAs/focal points, AEs, civil society and the private sector on a regular basis for the development of the strategic plan in a broader sense; by the working group on strategy, the Secretariat, for the informal meeting of the Board, and throughout the process as a whole.

140. One Board member called for input on reflections from the independent Technical Advisory Panel and the Accreditation Panel (AP) in particular, suggesting that the AP also meet to further discussions on the subject.

141. One Board member suggested that the GCF could draw inspiration from processes under way at other agencies and funds such as the new emphasis on programmatic and integrated approaches frequently spanning several sectors and countries. Another Board member also suggested examining other sources to feed into the plan, such as disaster risk reduction processes or the 2030 Agenda for Sustainable Development.

142. Some Board members encouraged developing within the strategic plan an understanding of how the GCF fits within the landscape of organizations in the climate change field. They noted that this would maximize synergies and avoid overlaps.

143. A few Board members indicated that they would like a compendium of policy decisions that had already been taken within the GCF to be produced, and for this to feed into the conversation on the strategic plan.

144. One Board member called for the strategic plan to be subject to regular review and to remain flexible – to be a ‘living’ plan. Others agreed, highlighting that the GCF was a learning institution, and by extension the strategic plan should take into account lessons learned and future developments to evolve with the GCF.

Structure of the plan

145. Several Board members suggested that the terms of reference should include guidance on “how” the GCF operated, including its culture, engagement with stakeholders in countries and observers, country ownership principles and learning.

146. Several Board members noted that there was considerable overlap in the vision of members for the future of the GCF. One member indicated that where there were tensions (such as between volume and quality) or differences, the strategic plan should define those tensions and means of addressing them.

147. Some Board members suggested that an implementation plan be attached to the strategic plan, while others emphasized the importance of focusing first on the development of the strategy before considering implementation, as the strategy would guide implementation not just at present but in the future. Two Board members indicated that it would be important to note the sequencing and prioritization of policies when preparing such an implementation plan.

148. Another Board member noted that not only did the GCF need a multi-year strategic plan, it also needed a work plan for 2016.

Items for consideration within the plan

149. Board members also raised a number of specific points and areas of interest which they would like to see included in reflections on a strategic plan.

150. One Board member suggested that the strategic plan should focus on the development of the GCF objectives, strategic goals, implementation methods, a monitoring and review process, outstanding policy gaps, and a communications strategy.

151. Several Board members thought that the strategy should include how to make the GCF more operationally efficient.

152. Several Board members stated that the private sector, non-governmental organizations and civil society should be more involved, both in terms of building a strong pipeline of projects and attracting funding from a wider range of sources.

153. Several members articulated the importance of building a pipeline of transformational, country-driven projects consistent with the framework already established by the Board. One Board member articulated that the strategy needed to be very realistic, and therefore the strategy should consider projects as a central element.

154. One Board member noted that funding needed to be kept in line with country priorities. A few Board members indicated that direct access would be an important component of this strategy.

155. Other members also indicated the importance of balancing demand from countries, based on their stated needs and country plans, with the supply of funds, offering clarity for contributors and recipients. They noted that the strategic plan needed to convey how the GCF intended to navigate and align supply with demand.

156. One Board member suggested that there could be an opportunity to fill the gaps emerging from work with AEs and NDAs: while the needs of countries were to be given priority, some top-down direction might be necessary to find and remedy any gaps.
157. Several Board members noted that the accreditation strategy needed to be reflected in the broader strategy, stressing that the GCF was only as good as its AEs.
158. Two members stated that capacity-building should be central to the strategy, and articulated the importance of developing and implementing more capacity-building programmes.
159. One Board member suggested that the GCF could have a set of standardized products that could be rolled out to many countries without significant customization. They stressed that this could still be a very country-owned process because countries would be able to ask for those products if desired. However, these products, such as green bonds, would need to be built, tried and tested before standardization.
160. Several Board members recalled that the needs of the world's most vulnerable countries and populations must be central to the strategy, with particular consideration given to the inclusion of women and indigenous peoples.
161. Another Board member stressed that the GCF needed to strengthen its approach to gender, moving from a gender-sensitive to a gender-responsive approach.
162. Two Board members reminded the Board to consider youth, and how, in the design of projects, the strengths and innovation of young people was used.
163. One Board member stated that the strategy needed a clear understanding of the current status of the GCF, which could be possible through a strengths, weaknesses, opportunities and threats (SWOT) analysis. They believed that it needed to include some very clear goals and objectives, and called for measurable targets against which to measure the performance of the GCF.
164. Another Board member articulated the importance of knowing what metrics would be used to define success in the endeavours of the GCF.
165. One Board member stated that more precise definitions were needed on what was meant by "transformational", "high-impact" and "paradigm shifting" – the terminology should be clearly defined so that everyone had the same understanding of the meaning of these terms when they were used.
166. One Board member supported the idea of creating a knowledge platform within the GCF where global knowledge on climate change to be collated.

PSO and CSO statements

167. The PSO active observer suggested that the GCF should focus on areas where it could have the greatest impact. They reminded the Board that efforts had begun at the ninth Board meeting to determine the areas of greatest potential impact, and called for this reflection to be revisited. They further noted that there were several areas that distinguished the GCF in the landscape of climate finance: the fact that the private sector partnership was built into the GCF, the flexibility of its financial instruments, and the broad range of AEs.
168. The PSO observer also called for an analysis by the GCF of external market developments in the world of finance, with climate risk becoming a preoccupation for mainstream investors; this was highlighted as an opportunity for the GCF.
169. Furthermore, the PSO active observer felt that the GCF still had the ability to deliver on its transformational potential; if the GCF could take on risk and lower the cost of capital for investors, it would succeed in attracting mainstream investment at scale.

170. The CSO active observer stated that the strategy should reflect the objective of the UNFCCC and any agreed UNFCCC long-term goal, but that it must also articulate the GCF value added to the climate landscape. The CSO view was that this value added came from doing things differently, learning from experience with development and climate interventions that had failed to have a lasting impact because they had not been focused on the needs and plans of recipient countries and communities.

171. The CSO active observer also urged the Board in its strategic plan to reflect on what sets the GCF apart. They suggested that some of these strengths included the direct access modality, a mandate for a gender-sensitive approach, participatory monitoring, the 50:50 mitigation/adaptation balance and focus on vulnerable countries, country ownership, transparency of and support for accreditation, and readiness of local and national entities.

172. Finally, the CSO observer requested that the strategy include guidelines for greater engagement of stakeholders from civil society and communities, in particular women and indigenous peoples. They called for civil society to be given the opportunity to provide input into the ongoing development of the strategic plan.

Conclusion

173. The Co-Chairs mandated the small group established previously to continue working on the terms of reference for a strategic plan, taking into account the rich discussion on the item.

174. The Co-Chairs reopened the agenda item and the small group introduced the changes made to the draft decision. In particular, the revised draft decision also invited Board members to submit any other contributions in between meetings, and proposed establishing an ad hoc group to oversee work on a strategic plan leading up to an informal meeting of the Board and subsequent twelfth meeting of the Board. It was noted that this Board item would be led by the Board-established small group, with the Secretariat offering support by placing drafting or other resources at the small group's disposal for it to complete its work.

175. Several changes to the draft decision were suggested by a number of Board members. In particular, several Board members called for additional reference to arrangements between the COP and the GCF and reference to the Governing Instrument.

176. One Board member proposed to host a potential informal meeting of the Board in Cape Town, South Africa, should the Board decide to hold such a meeting.

177. Following further work by the small group, a final revised draft decision was presented by the Co-Chairs to the Board for consideration and was duly adopted.

DECISION B.11/03

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:*



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- (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 (add names) and three developed country members (add names) to oversee and guide the Secretariat's preparation of the strategic plan;*
- (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.*

Agenda item 10: Arrangements for the first formal replenishment of the Green Climate Fund

178. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/08 titled “Arrangements for the first formal replenishment of the Green Climate Fund”. They invited the Secretariat to introduce the item.

179. The Secretariat presented a five-step overview of a draft replenishment process which envisaged that all necessary approvals and decisions for replenishment would be completed by the end of 2017. They explained that this would give the GCF a whole year within which to finalize individual agreements and arrangements with each contributor. By following this approach, the GCF would prevent a gap in funding availability in 2019, as it shifts from the Initial Resource Mobilization (IRM) to the first formal replenishment period.

180. The Secretariat proposed to organize two contributor meetings to enable contributors to review the progress, performance, approved programming and strategic direction of the GCF.

181. The Secretariat presented two potential trigger scenarios which would enable the GCF to initiate the formal replenishment process, comprised of the pledging conference and the finalization of contribution agreements and arrangements. These two options were presented as follows:

- (a) The 60 per cent trigger; and
- (b) The automatic trigger by the end of June 2017.

182. They explained further that in option (a) the replenishment process would be triggered when cumulative funding approvals reached 60 per cent of the contributions signed by the eleventh meeting of the Board.

183. For option (b), since the scale of GCF programming would rapidly increase in the latter years of the IRM period, the Secretariat noted that it might be prudent to decide that the GCF should trigger the replenishment automatically in June 2017, as envisaged in document GCF/B.08/16 titled “Policies for contributions to the Green Climate Fund: recommendations by interested contributors”.

184. The Secretariat highlighted that the advantage of the first option would be that the Board and contributors would be able to confirm that over half of the total contributions had been committed. However, since the timing of achieving the 60 per cent target was not certain, if this were to be delayed it would affect the amount of time left for finalizing the agreements, thus putting the GCF and its ability to achieve a smooth, seamless transition into the replenishment period at risk.

185. In the second option, since the trigger would occur in June 2017, the rest of the timeline to finalize agreements could also be fixed, giving the GCF a more predictable funding plan, starting from the beginning of 2019.

186. Board members agreed that there should be a formal replenishment process and that this was necessary for predictability, which was essential for all stakeholders and for the credibility of the GCF.

187. Several Board members noted that the policy for contributions could be the basis for the replenishment process, but that further work on the process and further clarity on the trigger were required.

188. Two Board members stressed that the formal replenishment process should draw from the IRM process and the replenishment process of other funds, but not replicate them, and should be distinct to ensure that the GCF was truly unique, transformative and met needs.

189. Board members from contributor countries reiterated their support and commitment to the GCF. Members from countries that had pledged but were yet to sign agreements provided assurances of their efforts to finalize these, and of the importance and urgency assigned to such efforts, while outlining certain constraints related to domestic budgetary and parliamentary proceedings.

190. However, several Board members noted that it would not be easy to obtain approvals for additional funding during this early stage of the GCF. They emphasized the need to build political support for future replenishment, suggesting that this could only be done by the ability to demonstrate the success of the GCF through transformative projects on the ground with real impact, representing value for money. Consequently, they felt that the focus over the next period should be on the development of a strategic plan, the development of a high number of quality proposals, the capacity of the readiness programme to engage in a meaningful way at the country level, and the development of a robust risk management framework.

191. Several Board members from contributor countries also stressed the need for a formal mid-term review of the GCF on results and impacts. In the absence of this, they felt that it would be difficult to launch a successful replenishment. This being the case, some members felt that it was too early now to begin a discussion on the formal replenishment process. However, another member questioned making replenishment contingent on such a review, arguing that the fiduciary, and environmental and social safeguards of international standards in place should be sufficient to ensure the continuation of the process.

192. Some Board members stressed the link between the decisions on replenishment to the broader UNFCCC COP process, and responsibilities in that respect. They noted that whatever the outcome of this decision, the actual facts, for example that the signed amount of contributions was only USD 5.8 billion equivalent, based on pledging conference exchange rates, needed to be provided in the report to the COP. Also, Board members stressed that a positive message from this Board meeting would instil a constructive atmosphere at COP 21 in Paris.

193. Regarding the trigger for replenishment, many Board members preferred option 1, the 60 per cent trigger. However, they highlighted the need to clearly define the point of reference for this figure of 60 per cent, noting some confusion in this regard. Some members considered that it would be difficult to move away from the USD 10.2 billion baseline equivalent, based on pledging conference exchange rates, as the point of reference, believing that this was the commonly accepted IRM amount and reflected the ambition and urgency of the GCF. Several Board members suggested that the calculation of the trigger should include all contributors that had pledged, and not overlook those contributors that had not yet signed agreements.

194. Many members stressed that in order to reach a 60 per cent trigger there was a need to increase and accelerate the flow of project approvals and disbursement. They noted the need to identify and address constraints to achieving more approvals and disbursement, such as the development of the pipeline of projects, Secretariat capacity or NDA no-objection procedures. Furthermore, some Board members noted that any formal replenishment process should begin after the trigger and not before.

195. Regarding the time frame for the first formal replenishment process, some members considered that two years was too long, and that it should not exceed one year. Some Board members also stated that the replenishment period cycle itself should be extended to four years,

as three years was too short to assess results, and was inefficient in terms of the additional work generated.

196. Some members stressed the importance of all stakeholders being able to participate in a transparent process, not just the contributors. They suggested that this should include entities from non-public sectors, which could provide additional contributions to the GCF.

197. One Board member stressed that no decision should be taken until a time when members were ready to cooperate without so many conditions for replenishment. The member expressed disappointment that it seemed as though the GCF was operating on a supply-driven basis rather than a needs-driven basis, and called for replenishment to be calculated based on the needs of developing countries. This call was supported by two other Board members.

198. The CSO active observer observed that more predictability in the replenishment process would be preferable, ideally with a specific overall target. They also called for replenishment consultation to be open to all developed and developing countries, as well as accredited observers.

199. The PSO active observer urged the Board to take a replenishment decision as soon as possible, including policies for non-traditional and alternative sources of funding.

200. The Co-Chairs suggested working on the draft decision, taking into account the contributions from Board members, to be presented to the Board for consideration later in the meeting. However, the agenda item was not reopened and, therefore, no decision was adopted.

Agenda item 11: Consideration of funding proposals

201. The Co-Chairs opened the agenda item and informed Board members on how they proposed to organize the session with presentations from the Secretariat and the independent Technical Advisory Panel (TAP) on the general review process, then a general round of discussions, followed by discussions on individual funding proposals. They reminded Board members that information of a confidential nature, as contained in documents transmitted on a limited distribution basis, may not be discussed in this open setting. If Board members wished to discuss any aspects related to the information contained in the limited distribution addenda to document GCF/B.11/04 titled "Consideration of funding proposals", an executive session as outlined in paragraph 28 of the Rules of Procedure would take place.

202. They then invited a representative of the Secretariat to introduce document GCF/B.11/04.

203. Some Board members then made comments prior to the introduction by the Secretariat. They requested the Secretariat and the TAP to provide their assessments, guidance on the elements that decisions should be based on, and information on the lessons learned from the process. One Board member asked that an executive session be started immediately, as some of the comments they would have liked to voice were sensitive. Other Board members replied that there was value in holding an open session, both as an example of transparency, and for the interest of stakeholders to understand how the process works.

204. Following discussion on this point, a representative of the Secretariat presented an overview of the emerging portfolio of funding proposals and the review process that had been undertaken, and asked the Board for feedback.

205. The Chair of the TAP presented the review process undertaken, mentioning that because of time constraints, each proposal was reviewed by one TAP member, and then discussed among all the members afterwards in the September meeting of the TAP. They mentioned that lessons learned were being prepared, but they appreciated the need to increase the relevance of some aspects of the funding proposals, including impact and theory of change (linking to paradigm shift), knowledge management and sustainability of the environment.

General comments on the portfolio

206. A large number of Board members congratulated the Secretariat and the TAP on bringing forward, in a very short time, a balanced portfolio in terms of results areas (including the promising number of cross-cutting projects), geographical focus and financing instruments. A number of Board members were supportive of the portfolio presented, and encouraged the Board to send a positive signal by approving them. At the same time, they noted the need to improve some areas and learn lessons from this first set of proposals, with one member suggesting that these did not need to be representative of the portfolio that the GCF aimed to build over time.

207. Regarding the portfolio composition, some Board members expressed concern about the low volume of funding submitted for consideration; just over 10 per cent of the USD 1.5 billion in requests received. One Board member asked for clarification of the funding amount figures, which were subsequently explained by the Secretariat. Two other Board members asked for the status of the rest of the funding proposals, expressing concern that some stakeholders may not know how far advanced their project was in the pipeline. Another Board member stated that a breakdown by instrument of the total project amount was also necessary, as it may be relevant to understand the effect of the projects on the debt levels of developing countries.

208. Some Board members expressed the wish to see a larger role for direct access entities, while noting that the small combined size of their projects may reflect a lack of capacity among direct access entities. The Secretariat explained that, as captured in paragraph 21 of document GCF/B.11/04, direct access entities were considered to be critical stakeholders of the GCF, and were being proactively engaged. They noted that several of the projects reviewed had good potential, but were not yet ready for presentation to the Board; the Secretariat was therefore engaging with entities to bring these up to requirements. Two Board members pointed out that feasibility studies were very expensive and that, in the absence of project development funds, other than through readiness activity area 4, the capacity of entities and countries to develop these was severely limited.

209. One Board member pointed out that the dominance of adaptation was probably reflective of the role of the GCF within the wider financing world, where adaptation funding was scarce.

Funding proposal review process

210. With regard to how funding proposals had been developed, one Board member asked how many of these came from concept notes previously received. The Secretariat responded that 31 of the 37 funding proposals had been developed building on the feedback at the concept note stage.

211. Some Board members asked how country ownership had been ensured, and whether NDAs had been consulted and kept updated as to the progress of their proposal. The Secretariat clarified that efforts had been made to ensure country ownership by maintaining communication with NDAs regarding the projects.

212. Several Board members expressed approval of the results of the due diligence process in terms of enhancing the quality of funding proposals and encouraged developing lessons learned and providing examples to help AEs improve the quality of their funding proposals.

213. There was wide agreement that transparency in the approval process was highly desirable, in part to give stakeholders with full information on how the GCF worked, and that the information disclosure policy should review this matter. One Board member pointed out that the amount of information kept confidential may be excessive. Another Board member said that the presence of information that was not publicly available hampered their ability to

represent their constituency's views. With regard to this point, the representative of the Secretariat responded, firstly, that some information was kept confidential because it was commercially sensitive, and that the assessments were for limited distribution only in order to allow the Secretariat to provide a candid assessment. They added that making it public may cause the Secretariat and the TAP to engage in self-censorship, and provided examples from the Global Environment Facility and the Adaptation Fund, in which publication of assessments did not start until the process was mature, three to four years after their initial approvals.

214. Among the specific areas that needed improvement in the funding proposals, there was agreement among many Board members that evidence of the climate-related impact, explanation of the paradigm shift, sustainability of the project after completion, and a stronger gender perspective should be improved. Also, three Board members suggested encouraging AEs to “think big” and be innovative, including in relation to the terms of financing structure. Other proposals were to better develop the specific value added that the GCF brings in, and have the environmental and social impact assessment and the environmental and social management plan in the public domain with an appropriate amount of time for interested parties to review.

215. One Board member asked whether the post-approval timeline allowed sufficient time to incorporate comments and improve the quality of the design before implementation started. The Secretariat responded that there was a 180–300-day period prior to the signing of the funded activity agreement in which recommendations could indeed be taken into account.

216. However, two other members suggested that the Board should refrain from trying to micromanage or fix every detail in the funding proposals, and that the priority should be on streamlining and doing some ex-post checks on quality.

217. Two Board members asked whether there was a possibility for the AE to respond to comments submitted by the TAP. A representative of the Secretariat explained that the exercise had been undertaken, and that beginning at the next Board meeting, these responses could be shared with the Board if the Board so wished.

218. The Board members expressed their appreciation to the TAP for its work. Several members encouraged the TAP to provide recommendations on how to improve the proposal approval process. It was suggested that the Board take such recommendations into account when thinking about its strategy on a number of issues.

219. Several questions were directed to the TAP. One Board member asked the TAP to provide advice on how to enhance the proposal review process, whether the time allotted to the process had been adequate and whether consultants had been used.

220. Two Board members asked whether the TAP considered that there was a need to enhance communication channels with the AEs and NDAs/focal points, particularly at an early stage. The TAP responded that becoming involved at an early stage may jeopardize the independence of the assessment of the TAP, as it would be involved in the design process.

221. One Board member also encouraged the TAP to voice any concerns it may have in case it discerned any external influences that threatened its independence.

Comments to the Board

222. Finally, there were some suggestions to encourage Board members to engage in strategic thinking on issues such as how to streamline approvals. Some Board members saw the Board itself as a bottleneck to scaling up the delivery of funds; others suggested that limiting the resources of the TAP and the Secretariat may also be limiting delivery capacity. It was suggested that the suggestions of the TAP could be valuable in this exercise.

223. Another key bottleneck in delivering on the mandate of the GCF was suggested in readiness activity area 4 (initial pipelines of programmes and project proposals). A large

number of developing country Board members suggested that the emphasis on readiness activity area 4, which they saw as a cornerstone to the delivery of a large number of high-quality proposals (especially through direct access), should be increased. One Board member also pointed out that the ambition of AEs and NDAs should be encouraged.

Active observer statements

224. The CSO active observer placed the focus of their intervention on transparency. They also expressed concern regarding secrecy, including in relation to issues such as offshore financing, to prevent AEs from taking advantage of tax havens.

225. The PSO active observer expressed satisfaction with the diverse set of financial instruments and AEs, but in the future would like the GCF to explore the promotion of private sector investment in adaptation, for example in micro-insurance for farmers.

Conclusions

226. The Co-Chairs thanked the Board for its guidance, and announced that it would be compiled and presented after approval of the proposals. The main recommendations summarized by the Co-Chairs were:

- (a) Improving knowledge management, ensuring that stakeholders benefited from lessons learned, and that the process fed into Board deliberations;
- (b) Ensuring clarity and transparency at all stages of the approval process and project cycle, ensuring that relevant information was made available in a timely manner to all stakeholders;
- (c) Ensuring the engagement of NDAs in the formulation of pipelines;
- (d) Strengthening the pipeline by increasing balance, scale and impact over time, better support to enhance direct access and ensuring long-term sustainability;
- (e) Developing tools to address the common gaps identified;
- (f) Better incorporating gender components;
- (g) Supporting project preparation, including the availability of funds for feasibility studies; and
- (h) Ensuring clarity regarding the use of financial instruments for both NDAs and AEs.

Second session

227. The Co-Chairs reopened the item and recapped the general discussion that had taken place on Tuesday, 3 November 2015 before proposing to move to part 2: the consideration by the Board of individual funding proposals.

228. One Board member requested a summary of the action points that were suggested on the previous day. They suggested that some of these issues were very specific and could not be captured in a decision text, and asked how they could be captured instead. The Co-Chairs explained their plans to capture these items in the revised decision text and would discuss with Board members any drafts that they wished to table.

229. They then informed the Board of the three options available for each proposal, as outlined in decision B.07/03.

230. Representatives of the Secretariat and the TAP respectively presented proposal number FP001 submitted by Profonanpe contained in document GCF/B.11/04/Add.01 and the assessment findings for the first proposal. The Co-Chairs then opened the floor for discussion.
231. Board members discussed process issues, the portfolio and the first proposal.
232. After this initial discussion, in which the proposal generally received support, the Co-Chairs asked the Secretariat and the TAP to present all the remaining proposals consecutively. After representatives of the Secretariat and the TAP had presented all of the funding proposals, one Board member requested a constituency meeting. The Co-Chairs suspended the item.
233. When the discussion was subsequently reopened, the proposals generally received positive comments, with most Board members accepting the conditions presented by the Secretariat and the TAP, and adding recommendations for several of the proposals. However, consensus was not reached, as some Board members wished to postpone any decisions until a number of additional policies had been put in place and the Board could ensure that the projects were in compliance. These policies are captured in the following section.
234. The main discussions on procedural issues, the portfolio and projects are summarized below.

Strategy and procedure

235. The following issues were raised by objecting Board members:
- (a) Policy on co-financing; one Board member noted that some co-financing ratios were low;
 - (b) Policy on fees;
 - (c) Definition of the threshold between adaptation and development;
 - (d) Policy on incremental cost, with one Board member wishing to know how it had been applied;
 - (e) Policy on conflict of interest;
 - (f) Need for greater focus on national implementing entities;
 - (g) Early involvement of the TAP at the concept note stage;
 - (h) Readiness activities; and
 - (i) Redress mechanism.
236. Other Board members recognized that these issues were important to consider going forward. They suggested that the policy gaps be captured and discussed at an informal Board meeting, but called for the Board to be flexible and have a sense of urgency, noting that the GCF had achieved good progress and that the gaps did not constitute roadblocks to approving the first proposals. In particular, one Board member mentioned that the GCF already had the necessary elements: the frameworks were adopted, the strategy was under discussion, checks and balances were in place, and the GCF only needed case law, which would emerge from the first approvals.
237. The same Board member pointed out that projects should not be approved as precedent-setting, but rather with the goal of learning, a point that was echoed by another Board member.
238. Several Board members discussed the importance of readiness from different points of view. One of them noted that the absorption capacity of countries in terms of institutional capacity was limited and that readiness funding was lagging behind, which could be an issue for project implementation.

239. Before discussing the first proposal, one Board member asked how conflicts of interest should be dealt with. The Co-Chairs proposed that Board members with a conflict of interest declare so before the proposal was discussed, and recuse themselves from participating in the discussion.

240. Concerning conflicts of interest, one Board member on the Ethics and Audit Committee explained that the issue had been explored by the Committee, which had found that the issue did not prohibit a Board member from being present at the discussion. They mentioned that, consulting with Board members, they felt that they should be able to advocate for the project. The Board member suggested that a middle ground may be acceptable, with Board members able to advocate for the proposal if their countries wished them to do so.

241. Regarding the role of the TAP, one Board member praised it for its independence, and suggested that its ability to communicate with the AEs and evaluate the proposals in depth may have been limited because of the little time and resources available for this first round of proposals.

242. Regarding the actions to be taken after approval, the Co-Chairs welcomed suggestions as to how to capture all input related to projects stemming from the deliberations of the Board. A representative of the Secretariat suggested adding the conditions to the decision, and compiling the recommendations for the Secretariat and the TAP to interact with the AEs during project implementation.

Conditions to be met prior to the execution of the FAA

243. A Board member requested clarification on the table “General conditions applicable to all proposals” in document GCF/B.11/04/add.19¹ referring to the three conditions to be met prior to the execution of the funded activity agreement (FAA) where there was a reference to 180 and 120 days. As no explanation had been provided to the Board, and as this was related to all funding proposals, the Board member requested clarification on this matter, details on the implementation of these conditions and the impact, including reputational risk, if the conditions were difficult to fulfil. The Board member stated that it was meaningless to approve projects, if the effectiveness came 6 months later due to the conditions.

244. The Secretariat clarified the conditions to be met prior to the execution of the FAA. The rationale for the conditions was that the AMAs with accredited entities set out general terms and conditions of the relationship between GCF and the accredited entity. The AMA needed to be completed before the FAAs could be signed. Many funding structures were subject to ongoing legal due diligence, for example, by local legal counsel to assess the viability of structures and the exposure of the Fund. The Secretariat explained that the internal approval of the accredited entity was, as a general rule, required before bringing a proposal to the Board in order to avoid delays in implementation. However, if this was not possible, the Secretariat may agree to the accredited entity obtaining its internal approval within 120 days after GCF Board approval.

245. The same Board member queried, as there was no clear policy guidance, on the need for having all these agreements and legal issues to be addressed by implementing entities and local governments as the conditions complicated the process and inhibited some national entities from coming forward with viable proposals. The Board member stressed the importance of discussing this matter in the Board as it was the Board’s fiduciary duty to assess what the Secretariat was posting, especially when it concerned complex legal matters and agreements, emphasizing that it was for the Board to make a decision.

246. Another Board member raised a concern about what the Board was doing referring to the fact that GCF was expecting the highest standard of fiduciary standards on entities which were

¹ Limited distribution document.

engaged with the Fund. Despite this GCF did not have a master agreement with the entities as they were still being negotiated as well as no policies on co-financing, on incremental costs, on fees and conflicts of interest. He underlined that the Board was about to make a decision that was of a financial nature based on an agreement that had not been presented to the Board. The Board member reiterated that there was a serious lack of fiduciary oversight by the Board although this statement was not meant to stop decisions on the funding proposals. On the need for the legal arrangements and their implications, a Board member supported the view that it was a crucial question and welcomed the Secretariat to kindly explain the role of legal arrangements in the execution of the projects and stressed the need of the legal documentation to be finished before the money flowed, a necessity for any institution for major projects. This point was supported by another Board member who stressed that these issues needed to be resolved before the money flowed and also subscribed to the need for clarity. However the Board member was not in agreement with the need to loosen the conditions and fiduciary standards mentioned in previous interventions.

247. The Board member who had queried the conditions, also asked whether there was a master agreement ready, whether the Board has seen the draft and whether or not it was approved by the Co-Chairs on behalf of the Board for a contractual agreement with the Board. Finally, they asked whether the Secretariat represented the Board when signing the master agreement. The Board member underlined that if the Board had authorized the Secretariat to sign on behalf of the Board, it was the Secretariat's role to present the draft agreement for Board approval and to receive authorization from the Board to sign the agreement. The Board member stated that if all the requirements of the master agreement were met, there may be no need to enter into this whole discussion. The Board member had an additional question on the FAAs. They asked the basis of having the FAAs and underlined the fact that they wished to simplify the process and enhance the disbursement schedule, mentioning some well-known funds approving billions of dollars with no disbursement as well as the signed USD 4.6 million on readiness with only a small portion being disbursed. The Board member also added that the Board needed to give very clear guidance to the Secretariat on what to do and what not to do. Another Board member stressed that the point was to have a Fund that was efficient, disbursed funds rapidly and that was not complicated. The concern raised was on creating a bureaucracy with those conditions which discouraged people from turning to the Fund. Although many Board members agreed with the fact that a simplified process was needed, many concurred that GCF should not loosen the conditions and fiduciary standards.

248. In response, the Secretariat referred to decision B.09/08 where the Board, having considered document GCF/B.09/03 "Legal and Formal Arrangements with Accredited Entities", endorsed that the Fund shall enter into agreements with entities upon their accreditation and authorized the Executive Director on behalf of the Fund to negotiate and agree on the terms and conditions of such agreements with accredited entities. The Secretariat also reminded Board members that in Annex XI of decision B.09/08 the Board endorsed the form, structure and basic items to be covered in the AMA. The Secretariat mentioned that this decision has been operationalized and that the Board was being updated on the status of the AMA. It was added that should the Board decide to issue another decision, the Secretariat would be happy to implement accordingly. A Board member added that the question was not whether the Executive Director should sign the agreement or not but rather on the fundamental impact of the complex legal arrangements on the project.

249. A Board member stated GCF was doing in months what other institutions were doing in years, operating at a faster speed than any other organization of comparable size. As a result, GCF was working in ways that allowed the legal and institutional elements to be established while trying to move forward; GCF "is building the plane while flying it", hence the need to be flexible. The Board member agreed on simplifying the process but stated that there was a crucial need to establish the infrastructure to invest millions on projects and to have an impact.

250. Another Board member reiterated that there was still a problem: the conditions. The Board member said it was not true that major organizations imposed such conditions. GEF, for example, does not impose conditions although they accredited implementing entities quickly. Therefore, the Board member said GCF should not congratulate itself but work hard. He reiterated that the conditions were making the process more complex and that he expected the Secretariat to present the problem of delay to the Board and propose solutions instead of building layers and layers of legal agreements.

251. The Secretariat referred to decision B.07/03, Annex VII, where the Board adopted step VI, 6.1 of the project cycle: entering into legal arrangements for approved proposals. In May 2014, the Board already endorsed the fact that when there was a funding decision by the Board it would be followed by a legal arrangement for that specific approval. With regards to the formulation of what would be required to sign, the condition of 180 days was an encouragement to sign before that period and, concurrently, to signal the need for speed. As mentioned earlier, the Secretariat explained that ideally the accredited entity would have secured their internal approval prior to submitting the funding proposal but in any event within 120 days of GCF Board approval. They reiterated that all of these were encouragements to implement the project quickly which was also a measure to enhance the disbursement. The Secretariat underlined that 180 days and 120 days could run concurrently. Further clarification was made on the legal due diligence which was simply related to projects where there was a requirement to establish a new entity/ structure, secure certain regulations, approvals and licences.

252. The Co-Chair underlined that the questions and concerns raised were legitimate and needed to be taken into consideration. As some Board members proposed to codify a couple of areas of concerns into the draft decision as a way to move forward, it was suggested that they could be captured in written form.

Portfolio and proposal template

253. The points raised in the previous discussion concerning the need to strengthen the country ownership section were raised again by several Board members.

254. Two Board members expressed concern about the portfolio, which was dominated by international access entities. Two other Board members stated instead that direct access entities represented three out of eight proposals, which was quite reasonable, although by their own nature, the volume of funding requested was small.

255. One Board member pointed out that it was not only the portfolio presented, but the full pipeline that was dominated by international access entities as a result of an accreditation strategy that did not depart from 'business as usual'.

256. In order to address the issue, several Board members pointed out the need to rethink how the pipeline was built, and in particular the role of readiness funding to allow countries to propose robust projects or programmes at scale.

257. One Board member suggested that, in order to develop a better pipeline, there was value in sharing concept notes with the TAP, as well as in informing the Board periodically regarding concept notes. The same Board member opined that the TAP could interact with the Board as well at the portfolio level, to give technical advice and direction on what is being done in mitigation and adaptation.

258. Regarding the proposals, two Board members pointed out that the amount of information provided to the Board was excessive and not easy to access, and suggested going in the direction of executive reports.

259. Another Board member, during the discussion of the United Nations Development Programme proposal in Malawi, noted that it would be valuable for the Secretariat to provide a separate paragraph dealing with project sustainability.

Consideration of individual proposals

FP001: Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru (document GCF/B.11/04/Add.01)

260. The project generally received praise for its cross-cutting nature, community-based approach, and livelihood elements for vulnerable indigenous communities harnessing their entrepreneurship, high carbon benefits, gender aspects and incorporation of traditional knowledge, as well as the high degree of country ownership. Several Board members mentioned that this profile made it a high-risk but high-reward project, precisely what the GCF should aim for. Most Board members suggested approving it based on the conditions and recommendations put forward by the Secretariat and the TAP.

261. One Board member commented on the logic framework, noting that in deforestation projects it was key to aim at the deforestation drivers, and that it would be helpful if that information was clearer. The Secretariat responded that three drivers had been identified, and that the structure and activities of the project were focused on targeting these.

262. One Board member stressed the need to examine the sustainability of the project, and asked the Secretariat to clarify how this would be ensured, particularly with regard to bio-businesses. The representative of the Secretariat responded that the project drew on the experience of the AE in developing financially viable bio-businesses, that it included an endowment fund to build capacity, helped bio-businesses experiencing difficulties, and included important targets on business training and business plan development. Two Board members expressed the wish to see more detail on the business plans and their economic aspect, and suggested that the Secretariat should review them when they are developed.

263. Many Board members raised the need to clarify the consultation process, pointing out that a letter had been received from an indigenous organization claiming that they had not authorized Profonampe to work in their area. Board members further emphasized that, because the project targets vulnerable indigenous communities, it was important that the stakeholder consultation process was complete and well-explained, and that the associated risk was well dealt with through the management plan.

264. One Board member insisted that the involvement of indigenous peoples and the roles of associations were not clear or convincingly presented, and that both these points merited improvement, as coordination and strong participation of indigenous peoples in the project implementation were important to guarantee the project's sustainability. This suggestion received support from other Board members and was incorporated into the conditions that the project would have to meet.

265. Another Board member pointed out that the high number of stakeholders involved may make implementation challenging. The representative of the Secretariat acknowledged this and replied that the proposal was candid about the challenges, but had some innovative approaches in terms of trust-building that may facilitate coordination.

266. The CSO active observer expressed concern regarding the consultation process, stressing that the project would impact over 20,000 vulnerable indigenous peoples, their lands and livelihoods. They urged that the decision be delayed to allow further investigation to ensure that all standards have been met. They also noted concerns about grievance mechanisms and gender. Finally, they stated that the project had potentially significant reputational impacts for the GCF.

267. The Secretariat clarified that extensive consultation had been conducted by the AE, that the letter referred to a different project, and showed evidence of a letter submitted by that organization clarifying this point. The representative also explained the inclusive consultation process undertaken by Profonanpe, captured in the social assessment report. They also noted that this entity was a non-governmental organization.

268. The Co-Chairs summarized that they noted strong general support and that the concerns raised about the consultation process had been well answered but warranted clearer explanation in the proposal. It was suggested that this be included as a recommendation.

FP002: Scaling up the Use of Modernized Climate Information and Early Warning Systems in Malawi (document GCF/B.11/04/Add.02)

269. Board members were generally appreciative of the proposal. While some noted that it used existing technology, they also praised some innovative characteristics in the focus on data analysis and, especially, on data users, preparing the market for the private sector. The good fit with other frameworks in the field of disaster risk reduction, such as France's CREWS (Climate Risk Early Warning System) initiative, was also positively noted.

270. The considerable number of beneficiaries of the project also drew appreciation from one Board member, while many others highlighted Malawi's needs in this area and the significant country ownership, reflected in the amount of co-financing from the Government of Malawi.

271. Several Board members stated that they would have liked to see more information as to whether the technology provided a high impact or whether there were missed opportunities. They asked whether integrating it at the regional level with a satellite and centre of excellence may improve the predictive capabilities of the system. Other missed opportunities raised by Board members were exploring the revenue generation potential and mainstreaming into emergency response planning and disaster risk reduction.

272. Regarding the questions raised by the Board on the predictive capacity of the system, the TAP explained that, at first, weather stations would generate data which was currently missing. This data would, at a later stage, feed into models to allow for higher quality information which users could use, but would not be able to predict large-scale patterns.

273. One Board member suggested that these kind of integrated, scalable projects could be standardized and offered as a kit, becoming transformational at a larger scale.

274. Another Board member commented that they were concerned about country ownership, in terms of how institutions in Malawi would provide leadership. Another Board member reasoned that execution was in the hands of a department of the Government of Malawi, with several other departments and civil society institutions as partners, a point echoed by the Secretariat. The first Board member explained that, to understand country ownership, it was important to know how it would work with the country's own accountability mechanisms. The Co-Chairs proposed to slightly adjust the conditions for the project to reflect the importance given to strengthening country ownership.

275. Two Board members questioned the sustainability of the proposal, taking into account that equipment might be valuable and susceptible to vandalism, a risk which had not been fully taken into account. Another suggested that fiduciary risk in the country may be higher than assessed. The representative of the Secretariat acknowledged that this was a critical point. They argued that sustainability relied on the project being based on a needs assessment of the executing entity, with the Government providing some co-financing, and ultimately providing significant value to users, giving them the incentive to preserve the equipment.

276. The Co-Chairs observed strong support for the proposal, while taking note of some of the questions mentioned in terms of country ownership and the suitability of the scale of the

proposal. They identified strengthening national ownership as the only specific request. This point prompted a discussion between the Secretariat and one Board member on how the proposal needed to reflect this. The Co-Chairs requested that this be discussed in a separate conversation.

FP003: Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal (document GCF/B.11/04/Add.03)

277. Board members generally expressed support for the proposal, noting its innovativeness, its integrated, ecosystem-based approach, its generation of income, country ownership and responsiveness to country strategies, strong gender consideration, and consideration of in-kind contributions in terms of human resources. The CSO active observer shared these views, but noted that gender indicators could be better, and included participatory monitoring as one of the project's strengths.

278. One Board member noted the reservations that the Secretariat and the TAP had presented in the assessment and asked how these ought to be taken into account. One Board member asked that more effort be put into coordinating and managing the different activities, including gathering and sharing knowledge, and monitoring the impact drivers.

279. A representative of the Secretariat qualified the assessment by mentioning that, while the level of expected results was not highly ambitious, it was realistic taking into account the capacity of the AE, and had potential to be scaled up later.

280. One Board member expressed his wish that the conditions of the Secretariat be met, particularly on the procurement plan, and that the observations of the TAP be recorded in some fashion. One of the Board members requested clarification on what these conditions were and why they were being asked for. The representative of the Secretariat clarified drawing from the addendum document containing the conditions.

281. The Co-Chairs observed general support, with no new condition to be included. They recommended improving the risk assessment and the coordination of activities.

FP004: Climate Resilient Infrastructure Mainstreaming in Bangladesh (document GCF/B.11/04/Add.04)

282. Board members expressed support for the project on grounds of its comprehensive approach and strong performance in the criteria of impact potential, in terms of saved lives, paradigm shift and country needs and ownership. One Board member pointed out that it was an example of the projects of high impact and at scale that the GCF should deliver. The use of the low/medium/high scaling in terms of the performance against investment criteria was viewed as helpful by some Board members in reviewing the proposal.

283. Two Board members praised the transformational potential of the centre of excellence in making Bangladesh more resilient. One of them argued that the GCF should encourage the project to ensure that the centre has high-level political support, and that it should be set up earlier on in the project lifespan, in order to start generating impacts earlier. Another member pointed out that Bangladesh's leading role in terms of infrastructure resilience could maximize the visibility of the project and provide a model for other countries.

284. In terms of shortcomings, one Board member mentioned that the level of engagement of civil society appeared to be low, and suggested adding a recommendation to improve it, for example conducting an analysis of how the power of civil society could be harnessed.

285. Some Board members pointed out that the high costs of the project were not well explained, as a detailed budget and procurement plan had not been provided. Another argued

that KfW's capacity in terms of oversight was good and that it would be able to build capacity in the recipient institutions. Others mentioned that the project could have a high operating budget which may compromise sustainability. It was agreed to keep the conditions proposed by the Secretariat, which included greater clarity regarding financial needs.

286. The Secretariat explained that KfW had justified the additional costs in terms of the need to add an access road, of targeting a remote area, and applying higher standards. The Secretariat also mentioned that the cost of the knowledge centre was high and included an important contingency component, but that it was not clear how that had been derived.

287. Another Board member asked for readiness funds to be made available to strengthen the capacities of Bangladeshi entities.

288. The CSO active observer welcomed the focus of the project on the most vulnerable and the emphasis on capacity-building, even if the project was not the most innovative, and echoed the suggestion to improve civil society engagement by strengthening consultations at the local level.

289. The Co-Chairs summarized that strong support had been shown and that no new conditions added.

FP005: KawiSafi Ventures Fund in Eastern Africa (document GCF/B.11/04/Add.05/Rev.03)

290. Board members generally expressed support for this proposal as high-relevance, high-paradigm shift, innovative, and replicable in other countries. They appreciated that it included private sector engagement, health and gender equality aspects. Several members of the Board welcomed the financial leverage that this programme could create, with a potential eventual ratio of up to 5:1 private sector to GCF investment. Many members of the Board recognized that this programme and model could be both replicated and scaled up in other countries, regions, and even sectors.

291. One Board member noted that this proposal responded to government priorities and energy plans. Another commented that the proposal served MSMEs, as well as the poorest people in the world, and generated revenue streams at the same time. Several Board members appreciated the technical assistance component to help the communities and individuals if a portfolio company became insolvent.

292. One Board member asked if the investments would be made in USD or local currency.

293. Another Board member asked what the added value of Acumen was in those countries, which were already making strides in this sector. Another noted that renewable energies needed good policy framework conditions and questioned if public policy interventions may be more effective than private sector investments.

294. Two Board members questioned if there was interest in KawiSafi by investors other than the GCF.

295. One Board member asked if KawiSafi portfolio companies already existed or were to be created. Another Board member asked if portfolio companies were local manufacturers or distributors, expressing a preference for manufacturers.

296. One Board member took note of the high levels of risks highlighted by the Secretariat in its "Points of Caution". Another questioned the concentration risk associated with KawiSafi because it was focused on only a few countries. They also indicated that while the terms of investment were longer than in many funds, if the impact could be higher with a longer term of the investments they would support that.

297. Another Board member asked if the Board had voting power, what the voting powers would be, and if they had a controlling stake in the venture.
298. One Board member requested a condition precedent that should Acumen, in its process of raising capital, give better terms to other limited partners than GCF should benefit from that too. A Board member asked for clarification around the fact that Acumen was accredited for Micro activities and the programme (KawiSafi total fund size) was targeting a total size of USD 100m.
299. A PSO active observer offered their support for the proposal, indicating that it was the only proposal presented that met the definition of transformative energy access in the UN Sustainable Development Goals. They indicated their support due to: the scalability, support for entrepreneurs, job creation, structure for technical assistance, good reputation of the AE, and that it could reach a 5:1 ratio of mobilizing capital.
300. A CSO active observer echoed concerns that Acumen was not accredited for the technical granting component. They expressed a view that AEs should be accredited for grants before applying for grants. They also stated that they were concerned that the venture's fund would be set up in Mauritius which was a tax haven, and counselled that, in general, the Fund should encourage on-shore investment. They indicated that overall the Secretariat needed greater transparency and that the level of information available to CSOs and PSOs on the programmes was limited, and earlier access was needed.
301. The Secretariat responded to questions regarding Acumen's accreditation by referencing Board decision B.08/02 paragraph (c), wherein the Board approved the guidelines for the operationalization of the fit-for-purpose accreditation approach, and the text on the Micro category, which allows for a *maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme*. The KawiSafi fund has a cap of USD 10m on each of its individual investments. With respect to the grant component, they indicated that Acumen would have up to 24 months to upgrade their accreditation type to include grants, after which time if they had failed to do so, GCF would suspend disbursement including on the equity side.
302. The Secretariat responded to the question of which currency the investments were made in, indicating that the Fund had a 20% cap on local currency investments.
303. Concerning risk, the Secretariat reiterated that that this was a high-risk proposal with potential expected loss of 50 – 60%, which was higher than what Acumen expected.
304. The Secretariat responded to questions about Board control reminding the Board that the more control asked for the more liability GCF was exposing itself to. As a limited partner, GCF's liability may be potentially limited to its participation, but involvement in the decision-making process would expose the Fund to greater liability, and that the Board needed to consider the trade-off. It also confirmed that there was a policy gap in risk investment guidelines and strongly recommended that the Risk Management Committee be tasked with developing guidelines on what constituted acceptable risk as soon as possible. One member of the Board cautioned that GCF would not be adding value by being on the board or investment committee of the Acumen fund or on their staff. The Executive Director indicated that global best practices for multilateral institutions as limited partners were to shift away from making decisions in investment committees and instead to hold positions on the policy-setting advisory Board.
305. The Secretariat responded to questions about the terms of the investments, indicating that the terms sheet was provided as a part of the funding proposal. It also clarified that the portfolio companies invested in would initially be distribution companies rather than manufacturing companies.

306. The Secretariat responded to concerns about lack of investor interest indicating that, as per Acumen, Larry Page of Google, Jeff Skoll (formerly of eBay), and Steve Jurvetson who had invested in Hotmail, had expressed a verbal interest, and that this interest was in part a result of Acumen repositioning KawiSafi as a green investment fund thanks to its engagement with GCF. They further indicated that disbursal of GCF funds would be conditional on attracting the requisite third party funding to reach first closing.

307. Some Board members expressed the opinion that deferring a decision until the next meeting might be a prudent option.

308. The Co-Chairs took note of these comments, and summarized that many Board members had expressed support for this proposal despite its high risk nature. They stated that they had heard no objection to the programme, nor any specific new conditions attached.

FP006: Energy Efficiency Green Bond in Latin America and the Caribbean (document GCF/B.11/04/Add.06/Rev.06)

309. There was strong support for this proposal from many Board members, whilst others had questions and concerns.

310. One Board member requested fair access for all countries, particularly the SIDS. They also recommended that GCF receive a report on performance and outcomes before approving further funding for subsequent phases. But overall they commended the programme.

311. Another Board member raised a concern that this was not an innovation in the green bond market as the Clean Technology Fund (CTF) was already financing energy efficiency bonds in Mexico, and asked about the link between the CTF project and the Fund's. They stated a concern that GCF may be covering the CTF's shortfalls.

312. Another Board member questioned whether there was adequate evidence that there was a market failure in energy efficiency and if green bonds were actually the solution.

313. A Board member requested that the USD 2 million grant funding be made available fairly to all countries in the programme.

314. A Board member indicated concern that a motion of support for the USD 20 million investment in Mexico created a commitment to fund the rest of the USD 217 million allocation. They also wanted to know how many tons of carbon would be reduced with this activity, and how successful green bonds had been in the developed countries market to reduce carbon dioxide.

315. Several members of the Board indicated they felt the proposal was innovative and strong in its support of energy services companies (ESCOs), which were often SMSEs. Many Board members indicated they felt the proposal had very large potential for crowding in, scale and replication. Another Board member applauded the large impact that the programme would have with limited funds, and for finding an aggregation solution to the problem of small projects, as well as for expanding the green bond market.

316. A Board member had several concerns about whether the level of investment was enough. They also wanted to know how coordination of other products could be done and about the regulatory changes that could be made in the proposed countries. Another Board member asked about supporting other Caribbean countries, or if the programme could expand to include them.

317. A couple members of the Board questioned how the programme would promote gender equality to give opportunities in this area.

318. A CSO active observer supported the proposal, but cautioned that what constituted energy efficiency must be revised and that natural gas and biomass should be excluded. They

recommended adopting the best standards of the Climate Bonds Initiative, which promoted a certification system. They also stated concerns about gender aspects of the programme, and that there was a lack of engagement with stakeholders. From a process standpoint, greater transparency and access to more detailed information was stated as a critical need for GCF.

319. A PSO active observer also supported the proposal, indicating that ESCOs in this market were small, undercapitalized, lacked access to competitive finance, and that interest rates were too high. They explained that investors had concerns about credit and liquidity, and green bonds were a solution to this. They stated that a previous issuance of green bonds for energy efficiency in Latin America was five times oversubscribed. They also stated that they did not believe that the Climate Bonds Initiative framework could be adopted for this programme.

320. The Secretariat responded to questions about the allocation of funds to a programme, clarifying that the Board was only going to approve USD 22 million in Mexico, while they were being asked to allocate the remainder to signal to the market that GCF had the intention of investing in it. Subsequent phases would still have to be presented for the Board's consideration. They reminded the Board that allocation was used in B.10 when introducing the SME and Mobilizing Funds at Scale RFPs.

321. The Secretariat responded to questions about the CTF's work in green bonds, indicating that the CTF was working on the warehousing facility for the Inter-American Development Bank (IDB) Mexico green bonds. GCF would be involved in providing a credit enhancing guarantee to the bonds - a different phase of the programme.

322. The Secretariat responded to questions about monitoring, indicating that the IDB would report on supervision every 6 months.

323. The Secretariat responded to questions about use of the programme in different countries, stating that the product would need to be adapted and would evolve to fit the specificity of those countries – using an appropriate bond or commercial paper or a note – and those phases would be brought to the Board for their subsequent approval.

324. The Secretariat responded to questions about the market failure articulating that this programme targeted energy efficiency in industry and commercial buildings. What had been identified as the most successful model was using ESCOs that perform energy projects against future energy savings. However one of the barriers that had been identified was the lack of adequate financing. The ESCO market was not fully established due to a financial market that was reluctant to provide funding for energy efficiency projects. This programme was targeting that subset of energy efficiency. A Board member indicated that this programme would help in markets that were bank-dominated and therefore very conservative.

325. The Secretariat noted that the Board and PSAG has in the past referred to mobilizing money from insurance companies and pension funds from local sources; these investors usually put their money in liquid assets like bonds and this programme would encourage that.

326. The Co-Chairs invited Board members who wanted further clarification on the programme to follow up directly with the Secretariat and moved to the next funding proposal. They stated that they had heard strong support from many Board members, as well as a request on one Board member's feedback regarding the need for fair allocation between countries. They moved to the next funding proposal.

FP007: Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages (document GCF/B.11/04/Add.07)

327. While the TAP assessment was not positive about the climate-related impact of the project, which the TAP considered to be more of a pure development project, there was

consensus among Board members that this was an adaptation project, and the proposal received strong support.

328. One Board member noted that the Intergovernmental Panel on Climate Change (IPCC) regional report provided evidence of the impact; another noted that policy papers had addressed water management as an adaptation need, and that the Climate Investment Fund's Pilot Program for Climate Resilience had funded five water-related projects. Board members agreed that it was important to counter anticipated water stress, even if climate change is not the only driver. Some Board members agreed that the Board ought to clarify the threshold between adaptation and development and provide guidance to its stakeholders, with the suggestion from one member to use the input from the TAP.

329. The TAP provided an explanation of how the adaptation/sustainability issue was considered, focusing on whether vulnerability was reduced, and explained that they lacked strong scientific evidence. A Board member noted that AEs were responsible for developing, in detail, information on the likely impact of climate change.

330. One Board member noted that some areas of the proposal were not very satisfactory, in particular its lack of innovation and the component of underground water. However, two Board members praised its water-harvesting component, which they considered to be easy to maintain and scalable.

331. Another Board member stated that the information on financial sustainability should be emphasized. To clarify this, a representative of the Secretariat set out how the lack of financial sustainability may be partly mitigated:

- (a) The integrated system promoted was inexpensive, with the use of energy efficient and clean technology further reducing the cost of desalinization and long-term engagement with utilities;
- (b) Community engagement and decentralized options would also ensure an effective integrated water supply system; and
- (c) The Government of the Maldives had provided a contribution to the sector investments, cost recovery from water use tariffs could help cover operations and maintenance costs, and the Government had the intention to restructure water tariffs.

332. Another Board member argued that it would be positive that the project was integrated with other complementary initiatives, for example sanitation and sewerage.

333. The Co-Chairs took note of the need to discuss what constituted an adaptation project, and summarized by noting strong support for the project, with no specific conditions.

FP008: Urban Water Supply and Wastewater Management Project in Fiji (document GCF/B.11/04/Add.08)

334. This project, for which the TAP had not found a strong climate-related impact, was received favourably by the Board. The role of the water sector in adaptation was discussed further, and the need to address definitions with input from the Secretariat and the TAP was agreed. One Board member offered the concept of "Development+" to capture projects that address the essential development needs of a country but have a link to climate change, a concept that was later referred to by other Board members, who saw no conflict between it and the GCF investment criteria. Board members noted the considerable needs in disaster-prone SIDS for resilient infrastructure, and particularly in the water sector. One Board member asked whether there was additionality, while another Board member felt that the project met that criterion.

335. Two Board members expressed dissatisfaction at the use of the term “middle-income country” that the TAP had used in its assessment, noting that the categorization of countries according to income was not used by the GCF.

336. One member was appreciative of the high co-financing from the country, showing strong ownership, but expressed doubts as to why a grant was requested rather than a loan, taking into account that the project aspired to generate reflows and the AE would be contributing loans.

337. The risk that customers would be unwilling to connect to the system because of the high price was also commented upon by one Board member, who did not see it appropriately mitigated. The representative of the Secretariat agreed that the water sector in Fiji was weak, and pointed out that the risk had been highlighted in the assessment.

338. One Board member proposed adding two suggestions, to include a component on rainwater harvesting, and to include institutional reform processes.

339. The CSO active observer expressed some reservations about the project. They questioned whether it would raise adaptive capacity, and regretted that the project encouraged ‘business as usual’ and physical infrastructure projects in international entities. They also raised the issue that the AEs provided USD 400 million in loans while requesting grants, which did not appear to be well justified.

340. Regarding the reason why a project with an unfavourable assessment had been presented, the representative of the Secretariat explained that, according to the Secretariat’s understanding, funding proposals that were complete underwent the standardized proposal review process and were eventually submitted to the Board when this was finalized, regardless of the result of the assessment.

341. The representative of the TAP defended its assessment by explaining that the proponent had provided no evidence of the climate impact, that the original intake already seemed to be beyond the impact area, and that the pressures on water supply stemmed mostly from the increased population in Suva.

342. The Co-Chairs summarized by noting general support for the project, with no additional conditions, and the need to define adaptation, either using the IPCC definition or a more operational one.

Summary discussion

343. After the discussion, despite many Board members agreeing to approve the proposals with the conditions discussed, no consensus could be reached for any project, as several Board members were uncomfortable with approving projects before further policies and guidelines were developed.

344. The Co-Chairs asked Board members to propose ways forward. One Board member suggested that Board members think of solutions around certain points of agreement, including clarifying the process to approve projects and the post-approval process, agreeing on a set of strategic issues to be discussed at an informal meeting, and to be presented to the Board by the twelfth Board meeting, and identifying the elements that Board members would like to see in the future, such as gender or transparency. Another Board member stated that they could not commit to a specific set of actions, and proposed resuming the discussion the following day.

345. One Board member then requested clarity on the issues to be addressed, noting that delaying approvals to the next Board meeting would certainly delay project implementation unnecessarily, and that policy gaps would still be there by the twelfth Board meeting. Another Board member added that the COP, at its 2014 session, had requested that project approvals were completed no later than the third Board meeting of 2015. In response, a third Board

member replied that some of the conditions contained in subsequent paragraphs of that decision had not yet been met.

346. Discussion continued on how flexible the Board should be, and what the appropriate sequencing was – whether all the structures necessary in the long term needed to be in place immediately, or whether case law and project experience were important steps to better define policies.

347. It was proposed that the Co-Chairs would present a decision package capturing all of the aspects under discussion.

Third session

348. The Co-Chairs reopened the item and presented the revised draft decision to the Board for consideration.

349. Two Board members objected that the proposal did not reflect aspects of the conversation, and stated that they could not approve the draft. The Co-Chairs asked for further detail on what had not been addressed, to which the Board members replied that none of the aspects that they wanted had been included. Noting the distance between positions, the Co-Chairs called for a constituency meeting.

350. One Board member stated that a constituency meeting might be desirable but that a small group could explore ways to bridge the gap. Two Board members again asked for clarity on the outstanding issues.

351. Positions could not be reconciled throughout the discussion. One of the objecting Board members said that they could approve proposals, but amounts could not be approved until the gaps had been resolved. However, another member said that this option was not acceptable to their constituency. Another Board member added that there was still only an initial approval process in place, and that the question of monitoring needs had to be qualified.

352. The Co-Chairs called for constituency meetings, adding that clarity on the issues would be important to move forward.

353. Reconvening later in the evening after the constituency meetings, Board members requested the establishment of a small group to finalize outstanding issues, with many noting that the proposed text was already good.

354. The small group, composed of Mr. Arnaud Buisse, Mr. Dipak Dasgupta, Ms. Kate Hughes, Mr. Tosi Mpanu, Mr. Karsten Sach and Mr. Angel Valverde, broke out in order to work on the text and the item was adjourned.

355. The Co-Chairs reopened the agenda item again several hours later. The small group presented a revised draft decision, which the Co-Chairs noted was the result of a great deal of hard work and consultations. The reworked decision included the approval of the eight funding proposals, conditions on the funding proposals, and links to the discussions on the strategic plan to address pending issues.

356. As there were no objections, the decision was adopted.

DECISION B.11/11

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 its 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:*
 - (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.01;*
- (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 I to this document, 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 Profonampe;*
- (s) *Approves, contingent on the due consideration of the recommendations as contained in Annex I to this document, 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 I to this document, 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 I to this document, 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 I to this document, 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;*
- (w) *Approves, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in Annex I to this document, 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 I to this document, 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 I to this document, 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.*

Agenda item 12: Information disclosure policy

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

Agenda item 13: Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund (progress report)

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

Agenda item 14: Policies addressing fraud, corruption and other prohibited practices, and policies addressing anti-money laundering and countering the financing of terrorism (status update)

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

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

360. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/05 titled “Initial monitoring and accountability framework for accredited entities”.

361. A representative of the Secretariat introduced the item.

362. Several members of the Board raised questions about the level of fees set out in annex III to the document. Board members emphasized the importance of a differentiated fee structure, and several emphasized the need for flexibility. Some Board members also mentioned the importance of a fee structure that ensured value for money and effectiveness. Others highlighted the importance of ensuring that the fee structure did not disadvantage institutions accredited through direct access. A Board member proposed that the fee structure provide incentives for performance and to encourage competition between AEs. There was a recognition by several Board members that smaller projects have relatively higher transaction costs, which

should be accommodated in the fee structure. One Board member proposed up-front disbursement of fees, and noted the importance of providing project preparation grants to direct access entities. A representative of the Secretariat explained that project preparation support for direct access entities would be provided under activity area 4 of the readiness programme.

363. Several Board members proposed that the fees be differentiated according to the four size categories of micro, small, medium and large. There were also proposals to differentiate by financial instrument, by type of activity, by need (adaptation versus mitigation projects, or based on geographic region), or by access modality (direct versus international access). Several Board members proposed that an interim fee structure be agreed that would be reviewed in a year's time. One Board member proposed a flat fee of 10 per cent in the interim, while others suggested lower rates such as 7 per cent. A Board member proposed that the fee structure set out in table 8, Annex III of document GCF/B.11/05 be revised through a one percentage point increase in each of the proposed categories.

364. Several Board members requested clarification as to why the proposed fee structure should apply only to the public sector. A representative of the Secretariat explained that the fee structure for private sector projects would be determined on a case-by-case basis during the negotiation of the financial conditions of the project, as established through decision B.09/04, paragraph (f), on financial conditions for the private sector.

365. With regard to Annex II to document GCF/B.11/05, several Board members questioned the frequency of the proposed reporting on financial management and project implementation status, noting that the proposed reporting requirements seemed overly burdensome for the AEs and for the Secretariat.

366. A Board member suggested that each AE take the lead in monitoring its GCF-funded project portfolio, and submit an annual progress report on implementation of its portfolio, while the Secretariat consolidate all of the reports to develop a progress report on the entire GCF project portfolio to present to the Board. A representative of the Secretariat explained that the self-assessment process would use the online accreditation process and would allow entities to confirm if they are still in line with standards.

367. Several Board members highlighted the importance of involving stakeholders at the beginning of projects, and ensuring adequate stakeholder engagement, including civil society and the private sector, and those stakeholders that may not be in a position to access online tools. Board members also noted the role of the NDAs in engaging stakeholders and ensuring coordination at the country level. A Board member suggested using an "off-the-shelf" model for an online platform.

368. One Board member requested more information on the remedial measures that would be taken in the event of inadequate performance. A representative of the Secretariat explained that remedial measures would include suspension of disbursement, suspension of commitments and potential reclaiming of funds.

369. A Board member noted that there were several gaps in the GCF policies, and raised a question about how to monitor performance of AEs in complying with policies that did not yet exist, such as on anti-money laundering and countering the financing of terrorism. A representative of the Secretariat explained that although a policy did not yet exist on certain issues, AEs were required to provide information during the accreditation process on their own policies and procedures, for example on anti-money laundering and countering the financing of terrorism, and the reporting would compare performance against those policies.

370. Several Board members called for a risk-based approach to monitoring that placed greater emphasis on higher-risk projects. Board members also emphasized the need to ensure a simple re-accreditation assessment. A representative of the Secretariat explained that the re-accreditation would not request resubmission of a full accreditation application but rather look

at the history of the relationship between the AE and the GCF and the performance of the AE against the accreditation requirements as well as in its portfolio. Additional information would be required only in cases where the AE wished to add capacities or scale up its accreditation.

371. A Board member encouraged the Secretariat to contact the Sustainable Banking Network which they said may be able to provide useful input in terms of accreditation of national implementing entities. A representative of the Secretariat noted that the Secretariat was looking into the use of third-party sources and regulators for accrediting entities faster, in particular for national financial institutions.

372. A CSO active observer noted the importance of accountability and stakeholder engagement throughout the project cycle. They noted that the proposed framework places too much reliance on self-reporting by AEs and that there is a need for additional independent monitoring, with publicly available reporting. They stated that the Governing Instrument makes reference to participatory monitoring, a principle which is not reflected in the document. They further noted the role of NDAs in ensuring accountability. They proposed that annual multi-stakeholder processes should be mandatory rather than optional, and that feedback from these consultations should inform the country work plan. They also proposed an explicit reference to accountability mechanisms both at the GCF level and at the level of AEs, in particular a grievance mechanism which provides an avenue through which affected stakeholders can raise any grievances. Regarding annex III to document GCF/B.11/05, they proposed that fees follow the size categories for projects and activities in a programme as set out in decision B.08/02, and noted that smaller projects require a higher percentage of fees. They recommended that the Board agree on a process to put in place the rest of the accountability functions of the GCF, including an environmental and social management system and operationalization of the three accountability mechanisms.

373. The Co-Chairs requested the Accreditation Committee to consult with Board members and seek to capture their views in a revised draft of the decision text. The agenda item was adjourned.

374. The Co-Chairs reopened the agenda item and drew the attention of the Board to a revised version of the decision text that had been circulated.

375. Mr. David Kaluba, as Acting Head of the Accreditation Committee, reported back to the Board on the changes that had been made.

376. Several Board members expressed support for the revised decision. A Board member emphasized the importance of ensuring that the fee structure did not disadvantage or disincentivize the entities accredited under the direct access modality, and proposed that further research be undertaken on the appropriate level of fees to inform a review of the framework in a year's time. One Board member proposed that the Secretariat report to the Board from time to time on experience in applying the monitoring and accountability framework and that a review of the framework be done after some time.

377. A Board member questioned how the accreditation master agreement (AMA) with AEs would be affected if it referred to an interim policy on fees, and the policy on fees was subsequently changed. The General Counsel clarified that the AMA included a clause committing the AE to comply with GCF policy and standards. If a policy change that affected an AE was under consideration by the Board, the draft policy would, pursuant to the AMA, need be sent to the AE in advance so that it had the opportunity to provide comments, and the draft would be submitted to the Board along with any comments from the AE. Once adopted, the new policy would be submitted to the AE, which would be asked to indicate whether it was able to comply within a prescribed reasonable period of time. If so, it would have to comply within such period of time onwards and would also be asked to apply the policy retroactively to the extent possible. If it could not comply with the policy going forward, this could be grounds to terminate the agreement with the AE.

378. A Board member asked if the size categories contained in decision B.08/02, as referred to in the proposed fee structure, applied to the total amount of a project or activity in a programme, irrespective of the proportion that is funded by the GCF, and noted that this could result in paying fees on the management of co-finance. A member of the Accreditation Committee clarified that while the size categories set out in decision B.08/02 would determine the level of fees, such fees would only be paid on the proportion of funding provided by the GCF.

379. A Board member questioned why the reference to funding for proposal preparation had been deleted, noting that this support was important for direct access AEs. A representative of the Secretariat clarified that this was removed because it would take place before approval of a funded activity and that readiness funding would be available for this activity.

380. A Board member raised a question around the role of the accountability units. A representative of the Secretariat explained that the GCF has a three-tier architecture for monitoring of AEs and funded activities: the AEs; the Secretariat and the Board; and the accountability units. The monitoring and accountability framework was focused on the second tier. It was noted that the decision on monitoring and accountability would have an impact on the staffing needs and costs of the Secretariat, as the capacity to carry out monitoring did not currently exist in the Secretariat.

381. A Board member asked whether fees would be included in the approved financing of the GCF to a project, or would be additional. A representative of the Secretariat confirmed that at that stage, the fees would come in addition to the amount approved by the Board for a funding proposal.

382. The Co-Chairs requested the Accreditation Committee to work on addressing the comments raised by Board members and the agenda item was adjourned.

383. The Co-Chairs reopened the agenda item and drew the attention of the Board to a revised version of the decision text that had been circulated. Mr. David Kaluba, as Acting Head of the Accreditation Committee, reported back to the Board on the changes that had been made.

384. The Co-Chairs invited the Board to adopt the revised decision. The decision was adopted.

DECISION B.11/10

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 II to this document;*
- (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 III to this document;*



- (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.*

Agenda item 16: Report on implementation of legal and formal arrangements with accredited entities (Accreditation Master Agreement)

385. The Co-Chairs opened the agenda item.

386. The General Counsel noted the remarks made by Board members during the meeting on the importance of the Accreditation Master Agreement and the desire to review its template. They noted that the Secretariat would work with the Co-Chairs to submit a template for an in-between meeting decision. They further underlined the importance of having a template endorsed by the Board swiftly in order to allow the Secretariat to enter into legal agreements with AEs, which was a prerequisite to implementing the funding proposals approved by the Board without delays.

387. The Co-Chairs took note of these remarks and closed the agenda item.

Agenda item 17: Strategy on accreditation (progress report)

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

Agenda item 18: Consideration of accreditation proposals

389. The Co-Chairs asked Board members if they wished to open a discussion on this agenda item, given the late hour.

390. Two Board members requested to defer the agenda item to the next meeting given the time, stating that it would have been preferable to discuss agenda item 17 titled “Strategy on accreditation (progress report)” first.

391. One Board member expressed support for discussing the item, noting that the applicant entities had been waiting for the decision of the Board, and reminding the Board of the ambitious funding target it had set, the achievement of which depended on having a large set of AEs. Another Board member supported this view and noted that the Accreditation Panel had done good work to date.

392. Another Board member expressed a preference for deferring this agenda item, noting the lack of consensus and that the importance of the item warranted a full discussion, rather than a rushed decision which could damage the credibility of the Board.

393. The Co-Chairs deferred the item to the twelfth Board meeting.

Agenda item 19: Initial risk management framework: progress report and risk register

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

Agenda item 20: Comparison of salary levels for comparable positions at other specialized global funds for the heads of the accountability units

395. The Co-Chairs opened agenda item 20 and drew the attention of the Board to document GCF/B.11/13 titled “Comparison of salary levels for comparable positions at other global funds for the Heads of the Accountability Units”.

396. The Chair of the ad hoc Appointment Committee first thanked the Secretariat and the members of the Appointment Committee for their hard work, including the in-between meetings decision on the executive search firm.

397. The Chair presented the agenda item by stating that the Secretariat had prepared the comparison and that the members of the Appointment Committee had provided additional recommendations that were captured in document GCF/B.11/13. As presented by the representative of the Secretariat, the comparison of salaries was conducted based on global specialized funds, namely: the Multilateral Fund secretariat, the Global Environment Facility, the Climate Investment Funds, the Adaptation Fund and the Global Fund to Fight AIDS, Tuberculosis and Malaria. The representative of the Secretariat explained that the Asian Development Bank had been included as per the Appointment Committee’s request.

398. One Board member stated that given the public sector context, the Board should be careful and modest with the salary package. They added that these positions varied depending on the mandate, structure and size of the organization, and that as a result the comparison should be studied with some reservations, with consideration given to the structure and other positions within the GCF. Furthermore, they stressed that these positions were not at managerial level; the recommendation of director salary level would perhaps be setting a difficult precedent to follow. In short, the Board member supported the Secretariat’s recommendation of IS-6 to IS-7 and, if necessary, the lower end of IS-8.

399. Two other Board members suggested widening the range to IS-6 to IS-8 in order to attract the best people for the position. This view was supported by the Chair of the Appointment Committee, who added that the salary package was not about the money but more about attracting the right people. They provided information on the selection process of these Board-appointed officials, mentioning that the Appointment Committee would be highly involved in the interview and shortlisting and that these candidates would be presented to the Board by the next Board meeting; the Board could therefore decide on a specific salary at a later date taking into account the candidate’s work experience, current position and educational background.

400. Without any additional comments, the decision was adopted.

DECISION B.11/01

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.*

Agenda item 21: Simplified processes for approval of proposals for micro- and small-scale activities

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

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

402. The Co-Chairs opened the agenda item.
403. A member of the Ethics and Audit Committee mentioned that the Committee had reviewed and discussed the financial statements, and that they had also been audited by an independent auditor. They noted that a firm had conducted an internal audit of the GCF in March and April 2015, which showed no major control weakness. They recommended that the Board approve the financial statements as provided.
404. The Co-Chairs asked whether there were any objections to this decision; as no comments were made, the decision was adopted.

DECISION B.11/02

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 IV; and*
- (b) *Takes note of the GCF Annual Report 2014/15 as contained in Annex V.*

Agenda item 23 (a): Status of resources and execution of the administrative budget of the Green Climate Fund at 30 September 2015

405. The Co-Chairs opened the agenda item.
406. The Secretariat provided a general overview of the 2015 administrative budget of the GCF based on actual expenditures. The Secretariat also noted that document GCF/B.11/Inf.06 titled "Status of resources and execution of the administrative budget of the Green Climate Fund at 30 September 2015" had been prepared for information purposes and welcomed any question regarding the document.
407. The Co-Chairs announced that the document did not require any decisions but recommended that the Board take note of the document, and encouraged the Board to share any comments they might have.
408. One Board member requested clarification of the budget with regard to the heads of the accountability units. A representative of the Secretariat explained that decision B.10/05 approved the additional budget of USD 300,000 for the selection of the positions for said units,

and that related information was circulated to the Board in a limited distribution document in between meetings, containing decision B.BM-2015/10.

409. Furthermore, there was a proposal from a Board member that such budget issues should be discussed alongside the annual update on the structure and staffing of the Secretariat. The Co-Chairs explained that the annual update on structure and staffing and the administrative budget would be discussed together under the following agenda item.

410. A Board member stressed that if the cost of the search for the heads of accountability units was below the approved budget, then the remainder should go back to the general budget. The Secretariat was asked to reflect this comment in the report of the meeting.

411. The Co-Chair encouraged the Secretariat to reflect this suggestion in the report of the meeting and stated that the Board had taken note of the information provided in document GCF/B.11/Inf.06.

Agenda item 23 (b): Annual update of the structure and staffing of the Secretariat, and

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

412. The Co-Chairs opened the agenda items and drew the attention of the Board to documents GCF/B.11/11 titled “Annual update of structure and staffing of the Secretariat” and document GCF/B.11/12 titled “Administrative budget of the Green Climate Fund for 2016–2018”.

413. The Secretariat provided a general overview of the current status of staffing and the need for more staff to effectively manage the operations of the GCF.

414. The Secretariat continued by providing an overview of the budget for the upcoming years and explained the background to the development of the budget.

415. Many Board members recognized the hard work that the Secretariat undertook with such a small amount of resources and appreciated the Secretariat’s devotion and efficiency of delivering tasks to this date. However, several Board members expressed concern with regard to approving the new structure and the 42 new positions at this stage, given that a strategic plan had not yet been developed and given the problems of filling existing vacancies. A Board member requested a full organigram and job descriptions associated with the proposed new structure. They also requested that the Secretariat produce a work programme as stipulated in the GI.

416. Regarding the structure, several members advised that deleting the word “PSF” from the structure should not dilute the elements of the Private Sector Facility. They noted that it was essential that PSF was effectively integrated into the new structure. Another Board member noted the risk of splitting the tasks of portfolio management and development into a Portfolio Management and Operations Division (PMO) and Portfolio Development and Investment Division (PDI); they thought that having the same people overseeing these two processes together might be more beneficial. Regarding this new structure, there was a suggestion to clarify the differences of the roles of the Chief Financial Officer and the heads of the PMO and PDI, respectively. Another Board member requested that since readiness was a high priority, this should be well resourced and clearly identifiable in the new structure. Some Board members raised questions as to how this new structure would deliver better outcomes than the current structure whilst others supported the proposed updated structure.

417. In addition, a Board member questioned the deletion of the posts of Director of External Affairs and Deputy Executive Director, which had been approved by the Board. Furthermore,

they noted that since the Board had not approved the position of the General Counsel, the Secretariat should provide the Board with the job description of the General Counsel. They stated that such decisions raised questions about the authority of the Board and the Secretariat. Any change to structure and staffing required Board approval. The Board should comprehensively review the structure of the Secretariat to avoid such a debate occurring in the future. Another Board member noted there seemed to be different expectations and interpretations of how the boundary between Board and Secretariat responsibilities was managed. Others noted that was important that the Board showed full confidence in the Secretariat.

418. Regarding the staffing matter, the Board provided various comments; the majority requested the Secretariat to clarify the rationale of creating 42 new positions, and the reason why 13 positions that had been approved previously had not yet been filled. Some of the Board members asked how the Secretariat would fill 42 new positions if 13 remained vacant, and what the crucial reasons were for not attracting highly qualified staff, besides the language barrier and the spouse employment issues. One Board member stated they could not support the proposed staff increase without knowing how the AEs would develop their own portfolios for GCF. They also raised questions about the disparities between the number of staff for the Chief Financial Officer and their division compared to the Office of the General Counsel. Furthermore they noted that it was not accurate to say that the Board were making excessive requests of the Secretariat when they had a complement of 150 staff and consultants at the HQ and throughout the world. Other members urged the Board to address the staffing issues as a matter of priority as they felt it was not sustainable to expect people to continue working excessive hours as a matter of Health and Safety. They noted that there appeared to be consensus among Board members to address the staffing issue as a priority. Another member asked the Board to consider research from other institutions such as the African Development Bank (ADB) and the United Kingdom's Department for International Development (DFID) which showed a ratio between funds to be distributed and staffing needs. They said this could usefully illuminate future strategic planning.

419. In relation to the staffing discussion, a number of suggestions and requests for the Secretariat were raised by the Board, as follows:

- (a) Provide information on the required number of staff compared to consultants;
- (b) Prepare a report on the retention and recruitment status including any data on why staff were exiting the Secretariat;
- (c) Gender and geographical balance were encouraged to be considered during the recruitment process;
- (d) Review the skill set required by the Secretariat, given the rapid development of INDCs requiring complex new skills;
- (e) Prepare a short document by the next Board meeting on the adequacy of disbursement and procurement specialists for GCF to deliver USD 10.2 billion for on-time disbursement;
- (f) Consider having an independent assessment of transaction costs and the time it takes for AEs and NDAs in dealing with the Secretariat by the next Board meeting.

420. During the staffing discussion, there was another proposal to not only focus on the high demand of work faced by the Secretariat, but also on the satisfaction level of the staff working at GCF, including conducting a regular staff satisfaction survey. Furthermore the Board member suggested that language reflecting this satisfaction and working environment matter be included in the draft decision. Another Board member suggested that consideration be given to include wording in the draft decision to the effect that a review of the remuneration and salary structure take place by the next Board meeting.

421. As a partial solution to the relocation difficulty and to bring in more expertise on the ground, there was a suggestion to look into the pros and cons of establishing regional offices or centres; the proposal to explore this further was supported by several members. The Secretariat was requested to prepare a short paper for the next Board meeting on the pros and cons of establishing small field-based centres in Africa, Latin America and the Caribbean, and South Asia, including the Middle East, to service NDAs and AEs with the specific purpose of building project pipelines.

422. On the matter of budget, Board members expressed varying views on approving the proposed draft decision. A Board member raised a question on the overspending on consultancies and requested more clarification in this regard including a listing they had previously requested of all consultants and their roles. (It was later confirmed by the Executive Director that a webpage would be created giving details of consultancies for individuals and firms.) Others expressed the view that the Board sometimes sent contradictory messages to the Secretariat. On the one hand being critical of the use of the number of consultants whilst at the same time making increasing requests for work to be undertaken.

423. A number of other queries and requests were made by members including what salary assumptions had been made regarding the Accreditation Panel and TAP; clarification on moving funds between budget lines, and details of the costs of holding Board meetings outside of Songdo, Incheon, Republic of Korea.

424. Following a suggestion by one Board member to establish a Finance Committee for the purpose of overseeing and managing the financial status of the Secretariat, another member noted that there were already five committees, which were under capacity, and the existing Ethic and Audit Committee is well placed to carry out the functions in overseeing financial management that is proposed for this new committee. They suggested that a budgetary review function could be added to the responsibilities of the EAC. The first Board member requested that the Secretariat produce a ToR for such a committee for the next Board meeting.

425. Towards the end of the discussion, a PSO active observer expressed their concern that the focus of private sector of the GCF would be diluted by removing the name of PSF in the new structure.

426. In general, a large number of members agreed that the structure and staffing should be revisited once the strategic plan had been discussed as the two matters were closely related; they underscored the risk of approving the structure and staffing prior to the discussion of the strategic plan, as this might lead to inconsistency and trigger tension between the Board and the Secretariat. Following further discussion, the Co-Chairs stated that there appeared to be some convergence towards approving the budget for 2016 recognising the new needs of the Fund whilst delaying the decision on structure and staffing until after the informal Board meeting.

427. The Co-Chairs requested that Mr. Zaheer Fakir and Mr. Leo Martinez work together to draft revised decisions.

428. The items were adjourned to allow time for the redrafting.

429. Later, the Co-Chairs reopened the agenda items and presented the two revised draft decisions.

430. As the Co-Chairs heard no objections to the amended draft decision on the administrative budget for 2016–2018, decision B.11/08 was adopted.

431. With regard to Agenda item 23 b), the “Annual update of the structure and staffing of the Secretariat”, a Board member stated that since they had not received answers to questions they had raised earlier during the discussion of this agenda item, they could not approve the draft decision. They requested that the item be deferred until the next meeting. The Co-Chairs requested that the Secretariat respond to the issues raised by the Board member.

432. The General Counsel pointed the Board to certain documents which were relevant at this stage in order to address their concerns: decision B.07/05 on the reporting line of the General Counsel, document GCF/B.08/Inf.05 titled “Annual update on the structure and staffing of the Secretariat”, and decision B.BM-2015/06 on the internal control framework and internal audit standards. The Executive Director provided further explanation of several issues including the rationale behind splitting the role of the External Affairs Director and creating the Office of the General Counsel, the Office of the Risk Manager and the Internal Auditor, all reporting directly to the Executive Director.

433. The Board member thanked the Secretariat for the clarifications, but still felt that the item should be deferred, pointing to issues such as their understanding that the External Affairs Director position had originally been offered to somebody before being subsequently cancelled. The Executive Director reiterated that no offer had been made (and therefore none had been subsequently retracted) for an External Affairs Director position. The Board member stated that they did not feel they could get answers to all their questions about changes to structure and staffing which they said had taken place without the approval of the Board; they therefore could not approve the decision.

434. As there was no agreement on the draft decision on the annual update of the structure and staffing of the Secretariat, the Co-Chairs stated that this matter would be deferred until the next Board meeting.

DECISION B.11/08

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 VI to document GCF/B.11/12;*
- (b) *Approves an administrative budget for the GCF of USD 29,157,227 as per the Annex VI to this document;*
- (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 the consideration of the Board at its twelfth meeting.*

Agenda item 24: Updated administrative guidelines on human resources

435. The Co-Chairs opened the agenda item.

436. The Secretariat provided a general overview of the proposed decision to extend the current guideline until further action was taken.

437. There was one suggestion by a Board member to change the date for Board members to provide written suggestions from 1 December 2015 to 15 December 2015 due to COP 21.

438. The Co-Chairs asked for any other comments or objections to this proposal; as there was no objection, the decision, with the amended date, was adopted.

DECISION B.11/12

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.*

Agenda item 25: Work plan for the meetings of the Board in 2016, including outstanding items from previous meetings

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

Agenda item 26: Establishment of the Appointment Committee as a standing Board committee, including the performance review of the Executive Director

440. The establishment of the Appointment Committee as a standing Board committee was not considered. The performance review of the Executive Director was considered under agenda item 32 titled “Other matters”.

Agenda item 27: Update to administrative guidelines on corporate procurement

441. The Co-Chairs opened the agenda item and reminded the Board that the short decision asked Board members to extend the existing procurement guidelines with reference to document GCF/B.11/20 titled “Update to administrative guidelines on corporate procurement” with a subsequent review at the twelfth meeting of the Board.

442. A Board member noted that the decision had initially been put forward as an in-between meeting decision. The group of African States had requested a list of consultants, their affiliation and their roles from the Secretariat. The Secretariat had informed the group that it was unable to provide this information as it was of a confidential nature. The Board member asked for clarification as to who decides what is confidential. They requested the Secretariat to disclose the names of the consultants on a web page.

443. A representative of the Secretariat informed the Board that the information requested, to which the Secretariat had responded in detail, was as follows:

- (a) A full list of procured consultancies issued by the Secretariat for the financial year;
- (b) Information on the current consultancies, their employment status and their intended duration; and
- (c) A clear understanding of whether the Secretariat had managed the conflicts of interest and complied with the guidelines to date.

444. They stated that the information requested formed part of the normal management information used by the Secretariat's senior management team to manage the day-to-day activities of the Secretariat. Its completeness was ensured by the Institutional Procurement Committee, tested by the internal audit function and approved by the external auditor.

445. They noted that it was the Secretariat's understanding that it was its role to manage the day-to-day operations of the GCF with the Board providing oversight, and with the norms of good corporate governance clearly separating the two functions. They informed Board members that the information requested was of a level of detail that a board would not normally request in exercising its oversight role as set out by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework; boards of other international organizations were not normally provided with this level of detail.

446. The representative confirmed that there were several safeguards in place, including internal and external audits, to enable the Board to place reliance on the exercise of its oversight function.

447. Another Board member stated that the request did not contravene the COSO guidelines, which did not preclude Board members from having access to this kind of information. They noted that the Board was merely fulfilling its fiduciary responsibility. Furthermore, at the current time it was clear that the Secretariat was not independent of the Board but instead served it.

448. The Executive Director stated that, as always, the Secretariat would be guided by the Board and requested clarity on whether the Board would wish to receive reports on all procurement actions, and if so, to what level of detail. They requested confirmation that this request for detailed information on the procurement of consultants was a request from the Board as a whole.

449. Another Board member questioned the Board's role in involving itself in the fine details of the Secretariat's daily operations. They stated that trust was clearly an important issue in the relationship between the Board and its Secretariat. One Board member noted that, clearly, if there was any communication problem between the Board and the Secretariat it should be resolved. Another Board member noted that there was always a balance to be struck between transparency and confidentiality, but that generally the goal would always be to maximize transparency.

450. As the issue was geared towards the discussions that had been raised during the in-between meeting, several Board members suggested focusing on the draft decision at this stage and revisiting the matter in due course.

451. As there were no other comments or objections, the decision was duly adopted.

452. The Co-Chairs asked for further consultations to take place on the request made by the group of African States. After the adjournment, the Executive Director informed Board members that she would instruct the Secretariat staff to develop a web page where information on the Fund's consultants would be presented.

DECISION B.11/07

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.*

Agenda item 28: Policies on ethics and conflicts of interest for other Board-appointed officials and active observers

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

Agenda item 29: Communications strategy of the Green Climate Fund

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

Agenda item 30: Date and venue of the next meeting of the Board

455. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/16 titled "Date and venue of the next meeting of the Board of the Green Climate Fund".

456. They outlined that the document proposed the following dates and venues:

- (a) 8–10 March 2016 in Songdo, Republic of Korea, for the twelfth meeting of the Board;
- (b) 28–30 June 2016 in Songdo, Republic of Korea, for the thirteenth meeting of the Board; and
- (c) 18–20 October 2016 for the fourteenth meeting of the Board in Ecuador or Namibia, from whom invitations to host a meeting had been received.

457. They asked the Board to decide on the dates for the twelfth meeting and take note of the other proposals for decision at a later date.

458. One Board member asked for a comparison of the costs and logistics of hosting in different venues.

459. Another Board member called for the proposed three days to be extended to four, both for the meeting and as the norm in future, as they believed that this would be more realistic given the workload. They also lamented the excessively long hours worked, as this violated labour laws and affected Board members' ability to follow proceedings. This last point was supported by another Board member.

460. A different Board member expressed the hope that by working more efficiently and using the informal Board meeting in January to cover some matters, three days would be sufficient.

461. The representative of Ecuador noted that the invitation from their country to host the fourteenth meeting of the Board was still open.

462. The Co-Chairs mandated the incoming Co-Chairs to work on the length of the twelfth meeting according to its agenda, and, seeing no objections, approved the draft decision.

DECISION B.11/13

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.

Agenda item 31 (a): Status of the selection of Board members for the term 2016–2018

463. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.11/Inf.01 *Status of Selection of Board Members for the Second Term of Board Membership*, noting that it had been circulated earlier in hard copy and by email, and posted on the GCF website.

464. The Co-Chairs confirmed that the term of new Board members already selected had taken effect as of 23 August 2015, except for the new alternate Board members selected by the African regional group whose selection would take effect from the end of the eleventh Board meeting.

465. There were no comments from Board members, and the Board took note of the document.

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

466. The Co-Chairs opened the agenda item.

467. They explained that the term of the current Co-Chairs had come to an end, and invited the constituencies to inform the Board on the outcome of their consultations on nominating new Co-Chairs.

468. A Board member called for a constituency meeting to discuss the item.

469. Following this, a member of the developing country constituency reported that their constituency would be nominating Mr. Zaheer Fakir as Co-Chair.

470. One member of the constituency endorsed the nomination.

471. Another member of the same constituency asked for a proviso to be added, making this nomination provisional, because part of the African regional group were not present at the Board meeting, with three alternate members with a say in the matter absent.

472. The Co-Chairs called upon the General Counsel to advise on whether the request to make a nomination provisional could have any implications.

473. The General Counsel noted that they could not provide an answer, as this matter was for the Board and constituencies to decide. Neither the Governing Instrument nor the Rules of Procedure provided for provisional nominations. This view was reiterated by a Board member, who contested the requirement for the advice of the General Counsel to be provided on the matter.

474. A developed country constituency representative announced the nomination of Mr. Ewen McDonald as Co-Chair. This nomination was endorsed by another Board member.

475. Given the lack of consensus on the developing country constituency nomination, the meeting was briefly adjourned for consultations to be held. Following these, the developing country constituency nominated Mr. Zaheer Fakir as Co-Chair.

476. Seeing no objections, the Co-Chairs noted consensus on the election of Mr. Ewen McDonald and Mr. Zaheer Fakir as Co-Chairs.

DECISION B.11/09

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.

Agenda item 32: Other matters

477. The Co-Chairs opened the agenda item.

Performance review of the Executive Director

478. The Co-Chairs noted that the performance review of the Executive Director had been moved from agenda item 26 to this agenda item, and that a small group had worked on a draft decision text on that matter. The small group was comprised of Ms. Andrea Ledward, Ms. Caroline Leclerc, Mr. Jorge Ferrer Rodriguez and Mr. David Kaluba. The Co-Chairs invited the small group to present the draft decision.

479. A representative of the small group proceeded to present the text, noting that it set out the process and methodology for the performance review, including the recruitment of an independent external evaluation firm and the establishment of an Executive Director Performance Review Committee comprised of Mr. David Kaluba, Ms. Caroline Leclerc, Ms. Andrea Ledward and Mr. Yingming Yang.

480. The Co-Chairs opened the floor for comments. Several Board members suggested editorial and substantive changes, which were duly noted.

481. The Co-Chairs requested that the small group make the necessary modifications to take these comments into account and to present a revised draft decision for the consideration of the Board. The session was adjourned.

482. The Co-Chairs reopened the agenda item. The small group presented the revised text. There was no objection and decision B.11/06 was duly adopted.

Secretariat structure

483. A Board member spoke in their capacity as Vice-Chair of the Risk Management Committee, highlighting the divergent views on some senior positions within the Secretariat and the structure of the Secretariat, which had been raised under agenda item 23 (b) titled “Annual update of the structure and staffing of the Secretariat”. They called for a debate on this issue in order to resolve it, as they believed that it posed a risk to the GCF in terms of its credibility and positioning as a reliable entity.

Simplified approval process

484. A Board member representing the SIDS constituency wished to register their disappointment that agenda item 21, regarding the simplified processes for approval of proposals for micro- and small-scale activities, had not been addressed by the Board. They requested that this item be given priority status at the twelfth meeting of the Board given its importance to their constituency. This call was supported by the Board member representing the LDC constituency.

485. The Co-Chairs asked for Board members to send comments on this item to the Secretariat before 31 December 2015, to be taken into account in a document for consideration by the Board at its twelfth meeting.

486. The Co-Chairs closed the agenda item.

DECISION B.11/06

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 VII to this document;*
- (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 VIII to this document;*
- (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 IX 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.*

Agenda item 33: Report of the meeting

442. This agenda item was not considered.

Agenda item 34: Closure of the meeting

443. Before closing the meeting, several Board members wished to reiterate their thanks for the commendable hospitality shown by the Government and people of Zambia and Mr. David Kaluba in hosting the meeting. Board members also thanked the Executive Director and the Secretariat for their excellent work with limited resources, as well as the staff at the meeting venue. Some Board members also expressed their pleasure at the GCF approving its first funding proposals. The outgoing Co-Chairs were also thanked for their work by a few members.

444. Mr. David Kaluba took the floor to express his thanks to the Board and all staff that had facilitated the meeting for their professionalism, cooperation and friendliness. He also thanked several Zambian ministries and institutions for their support. He said that it had been an honour to host the meeting.

445. The Co-Chairs reflected on their challenging but motivating work over the past year, highlighting that the GCF was a work in progress, with room for improvement, but had met a big goal in approving its first funding proposals, signalling that it was ready to engage and become a main partner for developing countries in tackling climate change. They also thanked the Government and people of Zambia and Mr. David Kaluba, the Executive Director and all the staff of the Secretariat, the members of the Board and observers.

446. The Co-Chairs brought the eleventh meeting of the Board to a close on Friday, 6 November 2015 at 4.33 a.m.

Annex I: List of conditions and recommendations

Table 1. General conditions applicable to all funding proposals

Funding proposal number	Conditions
All proposals	<p>The funded activity agreement shall be entered into within a period not in excess of 180 days¹ 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:²</u></p> <ul style="list-style-type: none"> (i) Finalization of the accreditation master agreement in form and substance satisfactory to the GCF; (ii) Completion of the legal due diligence to the satisfaction of the GCF; and (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 days³ after Board approval⁴ <p><u>Conditions to be met prior to disbursement:</u></p> <ul style="list-style-type: none"> (i) Finalization of legal documentation in form and substance satisfactory to the GCF; and (ii) Fulfilment of any conditions precedent included in the funded activity agreement to the satisfaction of the GCF

Table 2. Project-specific conditions and recommendations

Funding proposal number	Conditions and recommendations
FP001 (Profonanpe: Peru)	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <ul style="list-style-type: none"> (i) Satisfaction of the accreditation condition prescribed in decision B.09/07, Annex VII; (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; (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; (iv) Presentation of the climate change strategy outline, including all the components of the project with concrete outcomes, indicators and timing; (v) Presentation of a project team structure, including institutional agreements with stakeholders; and (vi) Presentation of the knowledge and communication strategy outline

¹ For FP004 (KfW Development Bank: Bangladesh), the period shall be 360 days.

² 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.

³ 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.

⁴ 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>FP002 (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>FP003 (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>FP004 (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>FP005 (Acumen: KawiSafi Ventures Fund)</p>	<p><u>Conditions for disbursement under the funded activity agreement:</u></p> <ul style="list-style-type: none"> (i) Satisfaction of the accreditation condition prescribed in decision B.09/07, Annex VII; (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
<p>FP006 (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"> (i) Material terms and conditions set forth in the term sheet attached to the funding proposal <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"> (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 <p><u>Conditions for the USD 195 million allocation for the next phases of the programme:</u></p> <ul style="list-style-type: none"> (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 (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 <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> (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 (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"> - Technology transfer and innovation; - Knowledge-sharing among small and medium-sized enterprises; and - Knowledge aggregation with concrete indicators
<p>FP007 (United Nations Development Programme: Maldives)</p>	<p><u>Recommendation:</u></p> <ul style="list-style-type: none"> (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
<p>FP008 (Asian Development Bank: Fiji)</p>	<p>None</p>

Annex II: 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 role¹ in accordance with the “Initial best practice guidelines for the selection and establishment of national designated authorities and focal points”;²
 - (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).

¹ Decision B.10/10.

² 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.³

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

³ 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 framework⁴ and its performance measurement frameworks for adaptation and mitigation,⁵ 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

⁴ Decision B.07/04.

⁵ 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.⁶ 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).⁷

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.

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

⁷ 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 the Accreditation Panel's assessment of the extent to which the overall portfolio of activities of the AE 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 III: 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 ¹	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.

¹ Annex I to decision B.08/02.



Annex IV: 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.



FINANCIAL STATEMENTS
GREEN CLIMATE FUND | PAGE 5 OF 19

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013

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

See accompanying notes to the financial statements.



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GREEN CLIMATE FUND | PAGE 6 OF 19

STATEMENTS OF COMPREHENSIVE INCOME

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

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



FINANCIAL STATEMENTS
GREEN CLIMATE FUND | PAGE 7 OF 19

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

See accompanying notes to the financial statements.



FINANCIAL STATEMENTS
GREEN CLIMATE FUND | PAGE 8 OF 19

STATEMENTS OF CASH FLOWS

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

(In '000 USD)	2014	2013 (unaudited)
Cash flows from operating activities		
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)	-
Net cash provided by (used in) operating activities	79,127	27,162
Cash flows from investing activities		
Acquisition of property and equipment	(563)	-
Net cash provided by (used in) investing activities	(563)	-
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	78,564	27,162
Cash and cash equivalents at beginning of the year	29,538	2,376
Cash and cash equivalents at end of year	108,102	29,538

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:

Plant and equipment	Useful life
Computer equipment and IT infrastructure	3–5 years

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

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

Foreign currency transactions and translations

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

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

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

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.



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	-
Total	108,102	29,538

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
Total	108,102	252	29,538	196

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	-
Total	392	-

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

Total	22	252	17	-	-
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7. Property and Equipment

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

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

(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
Total	-	563	-	(130)	433

(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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GREEN CLIMATE FUND | PAGE 17 OF 19

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
Total			88,750			29,457



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	-
Total	10,727	4,368



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 8th 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 V: Annual Report 2014/15

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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 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 the 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
- (viii) The 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.

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.

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”.¹ 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.

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

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

Administrative budget of the GCF for 2016			
		Projected 2015 (in USD)	Approved budget 2016 (in USD)
1	Board		
1.1	Board meetings	1,118,994	1,322,000
1.2	Co-Chair and Board representative travel	22,500	22,500
1.3	Board committees, panels and working groups	1,056,210	1,491,000
1.4	Accountability units	-	800,053
	Board	2,197,704	3,635,553
2	Secretariat		
2.1	Salaries and consultants		
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	
	Subtotal	12,005,315	15,398,374
2.2	Travel (Secretariat to exercise duties and representation)	975,500	1,269,500
2.3	Contractual services, general operating, information technology costs		
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
	Subtotal	3,672,648	7,978,000
	Secretariat	16,653,463	24,645,874
3	Interim Trustees	715,700	875,800
	Grand total (1+2+3)	19,566,867	29,157,227

Annex VII: Terms of reference of the Executive Director Performance Review Committee

I. Role and functions

1. 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.
2. 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

3. 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.
4. Members of the ED Performance Review Committee will serve for its duration as per paragraph 5 below.

III. Duration

5. 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 VIII: 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 (GCF);
 - (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; and
 - (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;¹

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

-
- (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;² and
- (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.

² One from a developing country and one from a developed country.

Annex IX: Terms of reference for the independent external evaluation firm

I. Introduction

1. Paragraph 3 of the Governing Instrument for the Green Climate Fund (GCF) establishes the 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;¹

- (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.

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