



**GREEN  
CLIMATE  
FUND**

Meeting of the Board  
8 – 10 March 2016  
Songdo, Incheon, Republic of Korea  
Agenda item 30

**GCF/B.12/33**

17 May 2016

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# Report of the twelfth meeting of the Board, 8–10 March 2016

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## Report of the twelfth meeting of the Board, 8-10 March 2016

### Agenda item 1: Opening of the meeting

1. The Co-Chairs, Mr. Zaheer Fakir and Mr. Ewen McDonald, opened the meeting on Tuesday, 8 March 2016 at 9:05 a.m. and thanked Board members for helping to ensure a prompt start to the twelfth meeting of the Board.
2. Mr. Fakir welcomed everyone and reminded them that a few weeks earlier, Board members, alternate Board members, advisers, active observers and Secretariat staff had met in an unusual place; the “mother city” of Cape Town, South Africa, for an informal Board dialogue. Cape Town was not just the mother city for South African democracy where doors had opened with the release of Mr. Nelson Mandela, ‘Madiba’, in 1990 but also because it was here that the GCF took shape when a group of Board members, including some of those present, crafted the Governing Instrument for the GCF. The setting for this informal dialogue was the National Botanical Gardens at Kirstenbosch, Cape Town; one the world’s six floral kingdoms and a United Nations Educational, Scientific and Cultural Organization World Heritage Site. The Co-Chairs hoped that all that was special about Cape Town and Kirstenbosch would imbue those present with a spirit to forge a ‘business unusual’ approach and encourage openness and understanding.
3. Mr. Fakir informed the Board that the Cape Town motto in the Khoisan language is “!ke e: !xarra !ke”, which translates as “Unity in diversity”. In Spanish, it is “Unidad en la diversidad”; in French, “Unité en diversité”; in German, “In Vielfalt Gemein”; and in Arabic “alwahdat fi alttanawwue”. The Board, while diverse in its membership, was unified in its resolve and commitment, and with one Board and its Secretariat, it was a single GCF team. With observers, national designated authorities (NDAs) and all others, it was one GCF family.
4. The Co-Chairs welcomed new members and alternate members to the Board. The new Board members were Mr. Kamal Uddin Ahmed, Mr. Koichi Aiboshi, Mr. Carlos Raúl Delgado Aranda, Mr. Cyril Rousseau, Mr. Colin Young and Mr. Anton Hilber (a returning member). The new alternate Board members were Mr. Nagmeldin Goutbi Elhassan, Ms. Sally Truong, Ms. Diann Black-Layne, Mr. Roland Jean Jumeau, Ms. Liesbeth Loddewykx, Mr. Richard Muyungi, Mr. Evans Davie Njewa, Mr. Daniel Reifsnyder, Mr. Cheikh Sylla and Mr. Ramón Méndez.
5. They also welcomed the four active observers identified by the observer community present in the Board room. Those representing civil society organizations (CSOs) were Ms. Liane Schalatek (Heinrich Böll Stiftung North America), Ms. Lidy Nacpil (Jubilee South Asian People’s Movement on Debt and Development) and Ms. Andrea Rodriguez Osuna (Interamerican Association for Environmental Defense) replacing Ms. Lidy Nacpil on the final day of the meeting. They further welcomed, representing private sector organizations (PSOs), Ms. Alexandra Boakes Tracy (The Climate Markets and Investment Association) and all other observers in the overflow room.
6. Mr. McDonald welcomed the positive discussions which had taken place both during the informal session on 7 March as well as in the preceding days. These had built on the spirit engendered in Cape Town. Mr. McDonald emphasized that the Co-Chairs wanted to work closely and collectively with the Secretariat and wider community of observers, private sector actors, countries, accredited entities (AEs) and all others interested in the GCF. It would be important in the future to continue this spirit and to ensure that the Board functioned effectively as a decision-making body. This would require the continuation of collaborative working, constructive, to-the-point interventions, and a common endeavour both to listen and to keep to time.
7. Mr. McDonald summarized valuable discussions on key operational issues which had taken place during the informal session ranging from the strategic plan, risk and the Risk

Management Committee, Accreditation Master Agreements, the project pipeline and Project Preparation Facility (PPF) to Secretariat staffing and the GCF website. Finally, the Co-Chairs outlined their proposed approach to the first day of the meeting.

8. Later in the day, the Co-Chairs welcomed Mr. Ramakrishna Kilaparti, Director of the United Nations Sub-regional Office for East and North-East Asia for the United Nations Economic and Social Commission for Asia and the Pacific, to mark International Women's Day. Mr. McDonald noted that the day was particularly important in Australia where the government had just published its gender strategy. This focused on leadership and the economic empowerment of women, combating domestic violence and enhancing leadership. Mr. Kilaparti expressed great pleasure in being able to read a statement titled "From the glass ceiling to a carpet of shards" on behalf of the United Nations Secretary-General, Mr. Ban Ki-Moon, for whom climate change and women's empowerment were two particularly important issues.

9. The Co-Chairs thanked Mr. Ramakrishna for conveying the message from the United Nations Secretary-General. On behalf of all male Board members, they saluted all women colleagues present in the Board room and in the observer room. They also noted that the GCF was holding a gender and climate change event during the day for Board members/alternate Board members and observers to recognize the challenges along with the advances made. The Board also expressed its appreciation to Mr. Kilaparti.

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

10. The Co-Chairs opened the agenda item, noting that the provisional agenda as determined and confirmed by the Co-Chairs was circulated to the Board and posted on the GCF website as document GCF/B.12/01/Drf.01 titled "Provisional agenda" on 12 February 2015. An updated provisional agenda, also determined and confirmed by the Co-Chairs, was later circulated on 27 February 2015 as document GCF/B.12/01/Drf.02.

11. In accordance with paragraph 20 of the Rules of Procedure of the Board, the Board was invited to adopt the provisional agenda as contained in document GCF/B.12/01/Drf.02, and the organization of work as contained in the document.

12. A Board member speaking on behalf of the constituency of Australia, New Zealand and the Czech Republic raised an additional item under agenda item 29, "Other matters", proposing an amendment to the guidelines on the participation of advisers in order to reflect that the role of the Co-Chairs required additional support. They stated that this had been handled on an ad hoc basis up until now and wished this practice to be embedded, on a formal basis, in GCF policies.

13. The Co-Chairs confirmed that this would be dealt with under agenda item 29 and there being no objections it was duly adopted as set out below.

14. In terms of organization of work, the Co-Chairs stated they proposed to bring forward the agenda item concerning the staffing of the Secretariat to follow agenda item 24, "Establishment of the Budget Committee of the Board". A proposal on staffing had been made during the informal Board dialogue on Monday, 7 March 2016 and it had been necessary to make this small rearrangement to the organization of work. The Board were asked if the proposal was acceptable and there being no objections, the revised organization of work was duly approved.

15. The Board adopted the agenda as set forth in document GCF/B.12/01:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of eleventh Board meeting

4. Decisions taken between the eleventh and twelfth meeting of the Board
5. Report on the activities of the Co-Chairs
6. Report on the activities of the Secretariat
7. Reports from committees, panels, and groups
  - (a) Ethics and Audit Committee
  - (b) Risk Management Committee
  - (c) Investment Committee
  - (d) Accreditation Committee
  - (e) Private Sector Advisory Group
  - (f) Ad Hoc Appointments Committee
  - (g) Accreditation Panel
  - (h) Independent Technical Advisory Panel
8. 2016 Work Plan of the Board
  - (a) 2016 Work Plan of the Board
  - (b) Guidance from the Conference of the Parties: Proposal from the Co-Chairs
  - (c) Matters outstanding from previous Board meetings: Proposal from the Co-Chairs
9. Performance Review of the Executive Director
10. Strategic Plan for the Green Climate Fund
11. Strategy on accreditation
12. Process for the Appointment of the Executive Director
13. Funding proposals and matters related to the proposal approval process; including status of the Fund's pipeline and the Project Preparation Facility
  - (a) Update on the status of the Fund's pipeline
  - (b) Progress report on the review of the project approval process
  - (c) Project Preparation Facility
14. Communications Strategy of the Fund
15. Status of resources and staffing of the Secretariat
  - (a) Status of resources
  - (b) Staffing of the Secretariat
16. Status of the initial resource mobilization process
  - (a) Status of the initial resource mobilization
  - (b) Loan Agreements
17. Consideration of accreditation proposals

18. Legal and formal arrangements with Accredited Entities
  - (a) Accreditation Master Agreements
  - (b) Readiness Grant Agreement
19. Country programming, and the implementation of readiness and preparatory support
  - (a) Readiness and Preparatory Support
  - (b) Country Programming Guidelines
20. Further development of indicators in the performance management framework
21. Initial risk appetite of the Fund
22. Comprehensive Information Disclosure Policy of the Fund
23. Term of Board Membership
24. Establishment of the Budget Committee of the Board
25. Interim Trustee review and other trustee matters
26. Outstanding elements related to the Fund's fiduciary standards
27. Administrative matters
  - (a) Update on the administrative guidelines on procurement
  - (b) Information Note on the Administrative Guidelines on Human Resources
  - (c) Status of the GCF Administrative Tribunal
  - (d) Report on the execution of the administrative budget and unaudited financial statements for 2015
28. Dates of the following meeting of the Board
29. Other matters
30. Report of the meeting
31. Close of the meeting

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

16. The Co-Chairs opened the item and drew the attention of the Board to document GCF/B.11/25 titled "Report of the eleventh meeting of the Board, 2-5 November 2016".
17. There being no objections, the report was duly adopted.

### **Agenda item 4: Decisions taken between the eleventh and twelfth meeting of the Board**

18. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/Inf.04 titled "Decisions proposed and approved in between the eleventh and twelfth meetings of the Board".
19. Following a summary provided by the Co-Chairs of the decisions proposed and approved between meetings, the Board took note of document GCF/B.12/Inf.04.

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

20. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/Inf.01 titled “Report on activities of the Co-Chairs” providing information on the main activities undertaken by the Co-Chairs from early November 2015 to early March 2016.
21. There being no further comments, the Board took note of document GCF/B.12/Inf.01.

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

22. The Co-Chairs opened the item and drew the attention of the Board to document GCF/B.12/Inf.02 titled “Report on the activities of the Secretariat”.
23. A Board member from the United States of America requested to include one item not covered by the report. They were pleased to inform Board members that the Government of the United States of America and the Secretariat had completed work on a contribution arrangement. They noted that on the previous evening, Monday, 7 March 2016, they had signed the contribution arrangement of the United States for their USD 3 billion contribution to the GCF. They also completed documentation which would result in the transfer of USD 500 million to the GCF as a first step towards meeting that pledge. They looked forward to working with colleagues in order to ensure that these resources were put to good use and that the GCF would become an institution which enjoyed the full confidence of its stakeholders. This would be essential for its continued financial health and sustained impact in confronting the challenge of combating climate change.
24. The Co-Chairs thanked the Board member from the United States and confirmed that the Board had duly taken note of document GCF/B.12/Inf.02.

## Agenda item 7: Report from committees, panels, and groups

25. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/02 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund” containing the reports on the activities of the following committees and panels of the Board, covering the reporting period from November 2015 to mid-February 2016: the Accreditation Panel (AP), the Ad Hoc Appointments Committee, the Risk Management Committee (RMC), the independent Technical Advisory Panel (TAP), and the Investment Committee. They noted that there was no formal report from the Private Sector Advisory Group (PSAG), as it had not met during the reporting period. Furthermore, they noted that the Ethics and Audit Committee (EAC) would present an oral report.
26. They outlined a number of issues that required the attention of the Board in the form of draft decisions emanating from the reports on committees, panels and groups. These matters included:
  - (a) The Investment Committee: the appointment of three members to the TAP;
  - (b) The PSAG: the appointment of the PSAG experts for a second term;
  - (c) The Ad Hoc Appointments Committee: the deferral of the performance contracts of the Heads of the Accountability Units; and
  - (d) The Rules of Procedure: the clarification, in consultation with the General Counsel, of the Rules of Procedure on the role of Board members and alternate Board members in committees, groups and panels.

## Report from the Ethics and Audit Committee

27. The acting chair of the EAC, Mr. Leonardo Martinez-Diaz, informed Board members that the committee had held six teleconferences since the eleventh meeting of the Board and met twice in person. Its priority had been to consider a draft comprehensive information disclosure policy and to provide guidance on issues of conflicts of interest and compliance with Policies on ethics and conflicts of interest. It had considered a potential conflict of interest of a PSO active observer. It had received statements of functions and roles outside the GCF from AP and TAP members submitted to the committee in compliance with paragraph 16 of the 'Policy on ethics and conflicts of interests for external members of the Green Climate Fund panels and groups'. It also received a report on gifts accepted by Executive Director valued at over USD 100 in compliance with paragraph 31 of the 'Policy on ethics and conflicts of interest for the Executive Director of the Green Climate Fund Secretariat'. The committee would consider a draft policy on ethics and conflicts of interests for active observers with a view to recommending a text for consideration by the Board at its thirteenth meeting. The committee would continue to provide guidance on issues of conflicts of interests, ethics, financial management and other functions.

28. A Board member asked if the EAC would present a written report, which was confirmed by a member of the EAC and the Co-Chairs.

29. The Co-Chairs invited the chairs of other committees, panels and groups to make any further comments.

30. Mr. Ayman Shasly, a member of the EAC, informed Board members that a situation had arisen which raised an important issue for Board consideration. This concerned a Board-endorsed candidate for membership of the TAP who flagged a potential conflict of interest to the EAC and asked for a waiver. The committee had unanimously decided not to grant a conflict of interest waiver in view of the candidate's association with an accredited entity. Unfortunately, the candidate was at that time already endorsed by the Board and subsequently offered a consultancy contract by the Secretariat just as all other endorsed candidates which could have created a potential legal difficulty for the GCF. The candidate subsequently withdrew their candidature. The committee noted that the GCF could face more of these situations in the future and it was very important to prevent similar cases to protect the integrity of the GCF. It was the role of committees to review these issues and present them to the Board for decision.

31. Another Board member (and acting chair of the EAC) noted that the Board was still learning how to apply the policies on ethics and conflicts of interest to real life situations. They underlined that one of the lessons from this case was that greater dialogue was needed between the Investment Committee and the EAC. Subsequently, this could also apply to the Accreditation Committee and other committees engaged in decisions or recommendations which could have ethical and conflict of interest implications.

32. The Co-Chairs thanked the Board members concerned for bringing this to the attention of the Board and stated that they would consult with the Secretariat so such situations could be prevented.

33. They noted several items which would need to be addressed during the meeting and asked the Board to take note of the reports of the committees, panels and groups. There being no objections, the reports were duly noted.

34. Later in the meeting, the Co-Chairs returned to the outstanding matters from this agenda item as follows:

## Report from the Risk Management Committee

35. The Co-Chairs stated that it was urgent to get RMC up and running and proposed that Mr. Delgado Aranda be appointed as a member. There were no objections and the member was duly appointed.

36. The chair of RMC welcomed Mr. Delgado Aranda to the committee. They noted that RMC had not been able to function owing to lack of a quorum and therefore the focus had been on technical rather than policy matters. However, six members was the preferred number. The Co-Chairs noted that it was the intention to return to this later in the meeting regarding the developing country constituency member.

37. The Co-Chairs confirmed the nomination by the developing country constituency of Mr. Yingming Yang as the sixth member of the committee and there being no objections, this nomination was duly appointed.

### *DECISION B.12/01*

*The Board,*

*Appoints Mr. Carlos Raúl Delgado Aranda as a member of the Risk Management Committee.*

### *DECISION B.12/02*

*The Board,*

*Appoints Mr. Yingming Yang as a member of the Risk Management Committee.*

## Report from the Private Sector Advisory Group

38. Regarding the appointment of the PSAG experts for a second term, the Co-Chairs explained the draft decision before the Board as set out in document GCF B.12/29 titled “Appointment of representatives to the Private Sector Advisory Group: proposal from the Co-Chairs”, which would involve appointing experts from developed and developing countries, both from the private sector and civil society, for a second term. They noted that the PSAG had met in Geneva, Paris and Cape Town. The decision would also open a selection process for one civil society member from a developed country as one member from that constituency could no longer serve on the committee. The selection process to be used would be the same as that used in 2014 to elect PSAG members.

39. There being no objections, the decision was adopted.

### *DECISION B.12/03*

*The Board, having reviewed document GCF/B.12/29 titled “Appointment of representatives to the Private Sector Advisory Group: proposal from the Co-Chairs”,*

*(a) Appoints the following four private sector representatives from developing countries to the Private Sector Advisory Group:*

*(i) Mr. Dipal Chandra Barua;*

*(ii) Mr. Rodrigo Violic;*

*(iii) Mr. Inderpreet Wadhwa; and*

- (iv) *Mr. Kevin Whitfield;*
- (b) *Also appoints the following four private sector representatives from developed countries to the Private Sector Advisory Group:*
- (i) *Mr. David Bresch;*
- (ii) *Mr. Jay Koh;*
- (iii) *Mr. Torben Möger Pedersen; and*
- (iv) *Mr. Hiroyuki Tezuka;*
- (c) *Further appoints Mr. Aurelio Souza as a civil society representative from developing countries to the Private Sector Advisory Group; and*
- (d) *Requests the Secretariat to initiate an open call for nominations, including from Board members, for the selection of one civil society representative from developed countries in accordance with the terms of reference as set out in annex XIX to decision B.05/13, with the appointment of nominated representatives subject to approval by the Co-Chairs.*

### **Report from the Ad Hoc Appointments Committee**

40. The Co-Chairs proposed a procedural draft decision to defer the matter of the performance contracts for the Heads of Accountability Units until the thirteenth meeting of the Board as the Ad Hoc Appointments Committee was still undertaking interviews.
41. There being no objections, the decision was adopted.

#### *DECISION B.12/04*

*The Board,*

Decides to defer its consideration of the performance criteria and measurement procedure of the Heads of the Accountability Units to the thirteenth meeting of the Board.

### **Report from the Investment Committee**

42. The Co-Chairs introduced document GCF/B.12/22 titled “Appointment of additional experts of the independent Technical Advisory Panel” and the draft decision therein. They thanked the members of the Investment Committee: Mr. Aiboshi, Mr. Frank Fass-Metz, Ms. Kate Hughes, Mr. Amjad Abdulla, Mr. Cristian Salas and Mr. Goutbi Elhassan. They noted that the Investment Committee had endorsed the nomination of three experts for one term as set out in the draft decision.
43. There being no comment, the decision was duly adopted.

#### *DECISION B.12/05*

*The Board, having reviewed document GCF/B.12/22 titled “Appointment of additional experts of the independent Technical Advisory Panel”,*

- (a) Endorses the nomination by the Investment Committee of the following experts of the independent Technical Advisory Panel (the Panel) for one term:
- (i) *Mr. Felix Dayo (Nigeria);*
- (ii) *Ms. Marina Shvangiradze (Georgia); and*

- (iii) *Mr. Daniel Nolasco (Canada/Argentina);*
- (b) *Notes that the endorsed candidates have been informed of the Fund's policy on ethics and conflicts of interest for external members of the Green Climate Fund panels and groups, and that they will be bound by the policy upon the endorsement under paragraph (a) above;*
- (c) *Also notes that the endorsed candidates have provided a list of their respective current functions and roles and have stated that they do not have any current conflict of interest;*
- (d) *Further notes that, with the candidates endorsed at this meeting, the composition of the Panel deviates on an exceptional basis from the geographical balance between developed and developing countries approved in decision B.09/10, paragraph (a);*
- (e) *Decides that the matter of the composition of the Panel, including balance in terms of geographical and technical expertise coverage, will be included as part of the review of the structure and effectiveness of the Panel requested by the Board through decision B.10/09, paragraph (d); and*
- (f) *Notes that each Panel member will be subject to regular performance evaluations, consistent with the Fund's practice for external members serving on panels and groups of the Fund.*

## Agenda item 8: 2016 Work Plan of the Board

44. The Co-Chairs opened the item which consisted of three sub-items:
- (a) 2016 Work Plan of the Board
- (b) Guidance from the Conference of the Parties: Proposal from the Co-Chairs
- (c) Matters outstanding from previous Board meetings: Proposal from the Co-Chairs

### Agenda item 8(a): 2016 Work Plan of the Board

45. The Co-Chairs drew the attention of the Board to document GCF/B.12/03/Rev.01 titled "2016 Work Plan of the Board: proposal from the Co-Chairs". They noted that it contained proposals from the Co-Chairs based on the extensive discussion that had taken place at the informal Board dialogue in Cape Town from 2 to 4 February 2016 and on comments from Board members, and revisions shared on 12 February 2016. It was intended to be a living document updated as the Board took further decisions. They asked the Board to adopt the Work Plan as set out in document GCF/B.12/03/Rev.01 and to mandate the Co-Chairs to update it after each Board meeting.
46. Board members raised a number of issues, including the following:
- (a) **The plans for considering funding proposals during the remaining meetings of 2016.** The Co-Chairs explained how this was reflected in the document and confirmed that proposals would be considered at each of the next three Board meetings;
- (b) **The earliest possible operationalization of the independent Accountability Units.** The Co-Chairs noted that the heads of the units would be appointed by the thirteenth meeting of the Board (B.13). They recognized the urgency of this especially now that the GCF had moved into the project approval phase. Once appointed, the heads of the units would be asked to provide their work plans which would be incorporated into the Board Work Plan;

(c) **The interrelationship between the Strategic Plan and the Work Plan.** It was confirmed that the Work Plan would be updated from the Strategic Plan as well as other decisions of the Board on an ongoing basis; and

(d) **The Work Plan should reflect plans to increase the capacities and influence of NDAs.** This was noted by the Co-Chairs.

47. A query was raised regarding the Gender Policy and Gender action plan by a Board member who requested that this be considered at the thirteenth Board meeting. The Co-Chairs advised the Board that this would be addressed under agenda item 8(c), "Matters outstanding from previous Board meetings: proposal from the Co-Chairs". Another Board member underlined support for the simplified approvals process as outlined in the Work Plan.

48. A CSO active observer raised a number of matters. A key building block in achieving the aspirational goal of USD 2.5 billion in funding approvals during 2016 is improved stakeholder participation. They urged the Board to ensure that the 2016 Work Plan included the development of comprehensive stakeholder engagement guidelines as a specific item. They reminded the Board that they had raised this matter at the informal Board dialogue in Cape Town. Yet the draft 2016 Work Plan only planned to address this through one item, namely guidelines on participation at Board meetings. Civil society was calling for comprehensive stakeholder engagement guidelines to ensure effective involvement with the Board and the Secretariat in their interaction with NDAs and AEs. A Board member supported the request by the CSO active observer for consideration of broader stakeholder guidelines during 2016.

49. Secondly, the narrow focus of observers at Board meetings did not satisfy guidance from the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in UNFCCC decision 7/CP.21, paragraph 19, "to enhance transparency and stakeholder engagement". They also hoped to see a significant improvement in the Information disclosure policy update to be decided during the Board meeting. It was also essential that the issue of developing the environmental and social safeguards (ESS) of the GCF was addressed urgently and the Board should ensure that the consultations begin as soon as possible.

50. Finally, the observer expressed concern about proposed new work for the Secretariat on the operationalization of results-based payment approaches and on support for alternative policy approaches, such as joint mitigation and adaptation approaches for the sustainable management of forests. This was in response to COP guidance. They stated that this should not be taken up by the GCF at present without an indigenous people's policy, in the light of missing stakeholder guidelines and given a performance measurement framework on results-based finance that completely excluded any reference to co-benefits and the rights of forest-dependent communities.

51. With the amendments discussed, and there being no objections, the decision was duly adopted.

#### *DECISION B.12/06*

*The Board, having considered document GCF/B.12/03/Rev.01 titled "2016 Work Plan of the Board: proposal from the Co-Chairs",*

(a) Approves the Work Plan of the Board for 2016, as set out in annex II to document GCF/B.12/03/Rev.01; and

(b) Requests the Co-Chairs to update the Work Plan following each meeting of the Board.

## Agenda item 8(b): Guidance from the Conference of the Parties: Proposal from the Co-Chairs

52. The Co-Chairs introduced document B.12/04/Rev.01 titled “Guidance from the Conference of the Parties: proposal from the Co-Chairs”. They informed Board members that the draft decision addressed a number of issues from COP guidance not currently covered in the Work Plan which required a new mandate for the Secretariat to undertake this work.

53. A Board member stated that an element from the Conference of the Parties at its twenty-first session (COP 21) appeared to be missing from the COP guidance included in document B.12/04/Rev.01, namely UNFCCC decision 1/CP.21, paragraph 110. They noted that the technical expert meeting focused on specific mitigation policies, practices and actions, and could be an important arena for action on the ground and for connecting parties (e.g. the Technology Executive Committee and the Climate Technology Centre and Network). The Co-Chairs stated that this would be addressed under the Strategic Plan.

54. Another Board member underlined the importance of ensuring that the language in the draft decision was the same language as in the UNFCCC decision. They referred specifically to the wording used when describing results-based payments and provided the language to the Co-Chairs. Following discussion, with some amendments, it was agreed to incorporate this in the draft decision.

55. Another question concerned which elements would be covered in the Work Plan and which would be covered in the Strategic Plan. The Co-Chairs confirmed that those matters pertaining to COP 21 guidance would be incorporated in the Work Plan, while requirements from the Paris Agreement would be dealt with in the Strategic Plan.

56. After discussion, Board members agreed to leave the matter of ensuring coherence between COP guidance, the Paris Agreement, the Work Plan and the Strategic Plan to the Co-Chairs.

57. There being no objections, the decision was duly adopted.

58. On the final day of the meeting, the Co-Chairs returned to the item and informed Board members that, on reflection, the language used in the decision was not quite clear. They had checked the COP guidance and revised language in paragraph (d) as presented on the screen in the Board room as a technical fix given that the decision had been already adopted. The Co-Chairs asked if Board members would accept this solution or if they wished to formally reopen the agenda item. There being no objections, the revised wording was approved.

### *DECISION B.12/07*

*The Board,*

- (a) Requests the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting that outlines the Fund's approach for ensuring complementarity and coherence with other institutions in accordance with paragraphs 33 and 34 of the Governing Instrument for the GCF and relevant guidance from the Conference of the Parties;*
- (b) Also requests the Secretariat to prepare a document for consideration by the Board at its fourteenth meeting that outlines ways to provide support pursuant to the existing Fund modalities, for facilitating access to environmentally sound technologies in developing countries, and for undertaking collaborative research and development for enabling developing countries to enhance their mitigation and adaptation action;*

- (c) *Further requests the Secretariat to present a document for consideration by the Board at its thirteenth meeting on how the Fund may wish to support the Cancun Adaptation Framework and relevant adaptation planning articles of the Paris Agreement;*
- (d) *Also requests the Secretariat to provide a document for consideration by Board at its fourteenth meeting, allowing for the operationalization of results-based payments for activities referred to in United Nations Framework Convention on Climate Change decision 1/CP.16, paragraph 70, consistent with United Nations Framework Convention on Climate Change decision 9/CP.19 and in accordance with Board decision B.08/08;*
- (e) *Further requests the Secretariat to provide a document, for the consideration of the Board at its fifteenth meeting, regarding alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests consistent with United Nations Framework Convention on Climate Change decision 16/CP.21, paragraph 6, and United Nations Framework Convention on Climate Change decision 7/CP.21, paragraph 25;*
- (f) *Invites the Private Sector Advisory Group to make recommendations on the mobilization of private sector finance to progress the Fund's forestry-related result areas for consideration by the Board at its fifteenth meeting in 2016.*

### **Agenda item 8(c): Matters outstanding from previous Board meetings: Proposal from the Co-Chairs**

59. The Co-Chairs introduced document GCF/B.12/05/Rev.01 "Matters outstanding from previous Board meetings: proposal from the Co-Chairs". They informed Board members that the document contained a proposal by the Co-Chairs on 11 annexes covering outstanding matters. Several matters had remained unresolved for some considerable time and it was the intention of the Co-Chairs to request that Board members take whichever decisions were immediately possible, and for the unresolved items, mandate the Co-Chairs to consult on these during the meeting before bringing them back to the Board for consideration.

60. In response to a query from a Board member, the Co-Chairs confirmed that it was their intention to take the items not as a package, but item by item. Another Board member proposed that, in the interests of transparency, a bulleted point on each item would be provided by the Secretariat and the Co-Chairs summarizing the consultations, a suggestion with which the Co-Chairs concurred.

#### **1) Establishment of the Appointment Committee as a standing Board committee**

61. There being no objection, the draft decision as set out in annex I to document GCF/B.12/05/Rev.01 was duly adopted.

#### *DECISION B.12/08*

*The Board,*

- (a) *Requests the Co-Chairs to consult with Board members and alternate Board members on the establishment of an Appointment Committee as a standing committee of the Board and to present, for consideration by Board, the outcomes of their consultations no later than the fifteenth meeting of the Board; and*
- (b) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

## 2) Arrangements for the first formal replenishment of the Fund

62. A Board member noted that the draft decision in annex II to document GCF/B.12/05/Rev.01 covered both process and policy. They wondered if they should be taken sequentially. The Co-Chairs stated that the language used was the language from decision B.05/17 and explained that no decisions were being requested on policy. They were seeking a mandate to consult and come back to the Board. The Board member wished to know if it was the intention to consult with a view to presenting a report of these consultations no later than the fourteenth meeting of the Board (B.14). The Co-Chairs stated that the plan was to present a concept document outlining thinking and ideas, and they would come forward with language for Board members to consider. The Board member confirmed their agreement to review such language when available.

63. Another Board member noted that the document referred to the Co-Chairs bringing observations on the replenishment process to an informal session of the Board before the next Board meeting. They wondered what the protocols for such a practice were. While accepting that there could well be merit in such a change to proceedings, they felt it should be a more inclusive process with Board members being consulted on whether they wanted an informal session. It would not necessarily involve establishing formal rules of procedure for this practice. The Co-Chairs explained to Board members that “informal sessions” before formal Board meetings had been part of normal practice in the first year of the GCF. As they had no formal status, it had not been considered necessary to formalize them. They suggested removing the reference to informal session from the text, and that further consultations could take place on this matter.

64. The item was suspended for further consultation with Board members by the Co-Chairs.

65. The Co-Chairs reopened the item and presented a revised draft decision for Board consideration. Following a brief discussion on language, the decision was duly adopted.

### *DECISION B.12/09*

*The Board,*

- (a) *Requests the Co-Chairs to undertake consultations with the Board on the first formal replenishment process of the Green Climate Fund, and present a report on the outcomes of these consultations to the Board no later than its fourteenth meeting;*
- (b) *Also requests the Co-Chairs to present their initial observations on the first formal replenishment process at the thirteenth meeting of the Board;*
- (c) *Further requests the Secretariat to support the Co-Chairs to prepare documentation related to the design and development of the first formal replenishment process; and*
- (d) *Requests the Secretariat to support the Co-Chairs to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

## 3) Simplified processes for the approval of proposals for certain activities, in particular small-scale activities

66. The Co-Chairs asked Board members to adopt the draft decision as set out in annex III document GCF/B.12/05/Rev.01. A Board member queried the use of language which referred to “consideration” at the thirteenth meeting of the Board rather than “conclusion” of the item at that meeting. They said this was inconsistent with the earlier discussion regarding the handling of COP guidance (agenda item 8(b), “Guidance from the Conference of the Parties: proposal from the Co-Chairs”). This matter had been outstanding since the seventh meeting of the Board and

was an important issue for the constituency of this Board member. The Co-Chairs clarified that they were asking for consideration of their proposal to consult on the matter. Other Board members supported the need to get further clarity on the language.

67. Another Board member highlighted the need for coherence in annex III between the review of the proposal approval process by the ad hoc Strategic Plan group and the simplified approval processes since it was likely that there would be linkages between the two items. They could provide wording to reflect that the Co-Chairs would coordinate with the strategy group. This point was supported by another Board member. The Co-Chairs requested that the first Board member provide language on this matter for the Board. The same Board member also queried why some draft decisions included a clause requesting support from the Secretariat, while others did not. The Co-Chairs responded that this merely reflected where support was or was not needed.

68. A Board member noted that the issue was whether the consultation would take place before B.13 with some language developed to reflect that this would be concluded at B.13. Another Board member noted that it was their understanding there would be further consideration and then approval, given that COP guidance stated that the GCF would adopt a simplified approvals process as soon as possible in 2016. In response to concerns from Board members, the Co-Chairs confirmed that they would seek convergence, highlight areas of divergence and present a report to the Board.

69. The Co-Chairs suspended the item so that the language in annex III to document GCF/B.12/05/Rev.01 could be developed to reflect this point.

70. The Co-Chairs subsequently reopened the item. A Board member expressed concern that a specific timeline was not included in the draft decision. The Co-Chairs stated that the language “no later than the thirteenth meeting” provided that. Other Board members again reiterated the need for the text to state clearly that a decision would be taken by the Board at B.13. The Co-Chairs reaffirmed that no decision could be taken at this time and requested concerned Board members to come forward with proposed language for the Board to consider. The item was suspended.

71. The Co-Chairs reopened the item and following further amendments to the draft decision, it was duly adopted.

#### *DECISION B.12/10*

*The Board, having considered the views of Board members contained in the document titled “Compilation of submissions - simplified processes for approval of proposals for certain activities, in particular small-scale activities”,<sup>1</sup>*

- (a) Requests the Co-Chairs to consult the Board with a view to presenting for consideration and adoption by the Board, the outcome of their consultations related to simplified processes for the approval of proposals for certain activities, in particular small-scale activities, at its thirteenth meeting;*
- (b) Also requests the Secretariat to support the Co-Chairs in the preparation of the documentation related to the consideration by the Board of a simplified approval process; and*
- (c) Requests the Secretariat to support the Co-Chairs to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

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<sup>1</sup> Circulated to the Board on 28 January 2016.

#### 4) Decision-making in the absence of consensus

72. A Board member asked if the draft decision in annex IV to document GCF/B.12/05/Rev.01 could be taken earlier than the fifteenth meeting of the Board (B.15), given the need to appoint a new Executive Director. The Co-Chairs noted that the Board had been able to adopt decisions in the past in the absence of a decision on this. The decision was duly adopted.

##### *DECISION B.12/11*

*The Board,*

- (a) *Requests the Co-Chairs to consult with a view to presenting, for consideration by the Board, further options for decision-making in the absence of consensus no later than its fifteenth meeting; and*
- (b) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

#### 5) Decisions taken between meetings

73. A Board member asked why the draft decision in annex V to document GCF/B.12/05/Rev.01 was being deferred to B.15 since it was a key to unlocking faster progress by the Board. The Co-Chairs, while accepting the need for urgency, noted that they had to prioritize the workload of the Board and were now looking to develop some guidelines for the existing practice concerning decisions taken between meetings. The wording used was “no later than the fifteenth” and it was hoped progress would be achieved much sooner. The decision was duly adopted.

##### *DECISION B.12/12*

*The Board,*

- (a) *Requests the Co-Chairs to consult with a view to presenting, for consideration by the Board, matters related to the guidelines to determine in which cases decisions may be taken without a Board meeting, no later than its fifteenth meeting; and*
- (b) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

#### 6) Travel policy

74. There being no objections, the draft decision in annex VI to document GCF/B.12/05/Rev.01 was duly adopted.

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

*The Board,*

- (a) *Requests the Co-Chairs to consult with a view to presenting, for consideration by the Board, the Travel policy of the Fund no later than its fourteenth meeting; and*

- (b) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

## 7) Participation of observers

75. A Board member requested some amendments to the wording in the draft decision in annex VII to document GCF/B.12/05/Rev.01 as it implied that the Co-Chairs were not part of the Board. They suggested language along the lines that the Co-Chairs would consult with fellow Board members/alternate Board members. This was accepted by the Co-Chairs. The decision was duly adopted.

### DECISION B.12/14

*The Board,*

- (a) *Requests the Co-Chairs to consult with fellow Board members and alternate Board members, active observers and accredited observer organizations in relation to the comprehensive review of the participation of observers in the activities of the Board, with a view to presenting, for consideration by the Board, the terms of reference for this review no later than the thirteenth meeting of the Board;*
- (b) *Invites observer organizations to submit to the Secretariat views on the terms of reference for the review by 10 April 2016;*
- (c) *Requests the Secretariat to support the Co-Chairs in the preparation of the terms of reference and to undertake the review for consideration by the Board at its fifteenth meeting; and*
- (d) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

## 8) Annual review of financial terms and conditions

76. There being no objections, the draft decision in annex VIII to document GCF/B.12/05/Rev.01 was duly adopted.

### DECISION B.12/15

*The Board,*

- (a) *Decides to defer the annual review of financial terms and conditions to its sixteenth meeting, which will be held in 2017; and*
- (b) *Requests the Investment Committee to provide the draft terms of reference for the annual review for consideration by the Board at its fifteenth meeting.*

## 9) Review of the Gender policy and Gender action plan

77. A Board member noted an inconsistency in the draft decision language in annex IX to document GCF/B.12/05/Rev.01 given that the Gender policy and Gender action plan would be considered at B.15 (December 2016) but the 2016 Work Plan said it would be considered in 2017. They also noted that the recently appointed Gender Specialist was already doing an excellent job and would undoubtedly bring forward high-quality projects which would benefit the work of the GCF. The Co-Chairs concurred regarding the Gender Specialist and confirmed

that the language of the Work Plan would be amended accordingly. The decision was duly adopted.

#### *DECISION B.12/16*

*The Board,*

- (a) Decides to review the gender policy and gender action plan at its fifteenth meeting, which will be held in December 2016; and*
- (b) Requests the Secretariat to provide the draft terms of reference of the review for consideration by the Board at its thirteenth meeting.*

#### **10) Financial terms and conditions**

78. A Board member requested that the draft decision text in document GCF/B.12/05/Rev.01, annex X, paragraph (b), be amended to say that the Co-Chairs would consult with Board members/alternate Board members, in addition to consulting RMC and the Investment Committee. Another Board member wished to make clear that “external stakeholders, including AEs” would also be consulted as this may have an effect on the project pipeline in the future. The first Board member also requested to include, in paragraph (b) of the draft decision text, a reference to an existing decision to be inserted after the “lessons learned from the current application of financial terms and conditions,” to say “and in line with the set of guiding principles and factors for determining terms of financial instruments, as outlined in annex III to decision B.05/07,” then the rest of the sentence as is. Other Board members wished to see this proposed text so that they could consider this proposal further.

79. Another Board member suggested that the text which stated that the consideration of cases where high-level and low-level concessionality would apply could be taken to mean that decisions on all loans would be deferred for a year. The de facto setting was that these types of issues were decided on a case-by-case basis. They proposed to provide the Co-Chairs with language to make clear that this was not the case. A Board member stated that they had been in touch with the Co-Chairs on the important issue of the level of concessionality and that the Board should be able to decide on that in specific cases.

80. Another Board member expressed concern at deferring this matter until early 2017 given that the Board was beginning to approve projects, and partners needed clarity. While they felt this delay was not ideal they would be prepared to go along with it. They requested the insertion of “no later than at the sixteenth meeting”, a proposal endorsed by another Board member. They also had reservations linking to lessons learned from current applications since the GCF had so little experience.

81. Regarding the proposal by a Board member to link this item to an annex (in para. 75 above), another Board member noted that they were not familiar with the document in question. They stated that the overriding consideration should be to ensure it was consistent with the Governing Instrument.

82. The Co-Chairs suspended the item pending consultations regarding revised language for the draft decision.

83. The Co-Chairs reopened the item. With reference to paragraph (a) in the draft decision concerning when high and low concessionality would apply, a Board member suggested that it was far too early to plan a review of financial terms and conditions when the Board had only recently approved eight projects and suggested that delaying a review to the seventeenth meeting of the Board would be preferable.

84. Another Board member stated that paragraph (a) of the draft decision text could create confusion in the interim within the Secretariat and among AEs and NDAs on the status of loans in the public sector. Decision B.05/23 set out guiding principles applicable for public sector organizations which involved setting terms on a case-by-case basis. The decision should make clear that this was the status quo. Public sector entities looking for loans could do so and the Secretariat should be clear on how to do that.

85. On this point, a Board member suggested that the Board was conflating this draft decision with an earlier decision which provided for an annual review of the financial terms and conditions. While the Board had agreed to review financial terms and conditions, this was about concessionality. They proposed that in paragraph (b) of the draft decision, the text “based on lessons learned” be replaced with “learning from the current applications”. The first Board member asked what experience there was, given that there were no financial instruments implemented and no agreements signed; consequently, it was too early to draw any lessons. The Co-Chairs asked if stating no later than the sixteenth meeting of the Board would be preferable. They reminded Board members that paragraph (b) of the draft decision was asking for terms of reference of the annual review of financial terms and conditions to be provided. However, another Board member felt the terms of reference statement in paragraph (b) was unclear.

86. A Board member asked for the views of the Executive Director, Ms. HÉla Cheikhrouhou. She stated that it would be very useful if the Board could reach consensus on when high and low concessionality would apply as it would give greater clarity to NDAs and AEs. At this stage, it was a judgement call during project preparation and development as to the level of concessionality which could be applied. Regarding lessons learned, in the absence of guidance from the Board on when to apply grants, 40-year loans and 20-year loans, the default position for public sector operations was mainly grants. Another Board member stated in paragraph (a) if the intention was to defer decisions on any level of concessional terms for public sector proposals, it would mean no decision on public sector proposals where there was a case of high or low concessionality, so no loans. As a result, the policy should continue on a case-by-case basis for public sector finance and investments where loans were involved. If the phrasing of paragraph (a) of the draft decision remained unchanged, it would mean that no one would come forward with concept notes for loans for public sector investments.

87. A Board member proposed further changes to language regarding deferring the policy and the case-by-case process.

88. The Co-Chairs requested concerned members to consult further on the draft decision language and suspended the item.

89. The Co-Chairs reopened the item and a Board member representing a small group which had consulted on language presented the revised draft decision to the Co-Chairs for consideration by the Board. They highlighted several changes, including the fact that it was the consideration of the policy that was being deferred; that in the interim, cases would be considered on a case-by-case basis in line with existing decisions, and that the consultation which would take place would be based on lessons learned, where available.

90. The decision was duly adopted.

#### *DECISION B.12/17*

*The Board,*

- (a) *Decides to defer its consideration of the policy regarding the cases in which the high-level concessional terms and the low-level concessional terms for public sector proposal will apply, no later than its sixteenth meeting, which will be held in 2017, noting that in the interim they will be applied on a case-by-case basis per decision B.09/04 and annex III to decision B.05/07;*

- (b) *Requests the Co-Chairs to consult with Board members and alternate Board members, the Risk Management Committee, the Investment Committee and external stakeholders, including accredited entities, in order to provide a recommendation based on lessons learned from the current application of financial terms and conditions, to the extent available, and in line with the set of guiding principles and factors for determining terms of financial instruments as outlined in annex III to decision B.05/07, for consideration by the Board at its fifteenth meeting; and*
- (c) *Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board.*

**11) Annual scaling review**

91. There being no comments, the decision was duly adopted.

*DECISION B.12/18*

*The Board,*

*Decides to defer the annual scaling review till 2017 and requests the Co-Chairs to include this matter in the Work Plan for 2017.*

**Agenda item 9: Performance Review of the Executive Director**

92. The Co-Chairs informed the Board that this item would be considered in a closed executive session as per the Rules of Procedure.
93. The Board took note of the advice of the ad hoc group on the performance review of the Executive Director.
94. The Board adopted the following decision:

*DECISION B.12/19*

*The Board, having considered document GCF/B.12/16 titled "Performance review of the Executive Director, report from the Executive Director Performance Review Committee",*

*Takes note of the documents titled "Summary report of the performance review of the Executive Director of the independent Secretariat of the Green Climate Fund", "Lessons learned through the Executive Director performance review", "360 degree feedback Report conducted by the independent firm" and "Executive Director self-assessment (July 2013 to end-December 2015)" shared as confidential documents with Board members and alternate Board members on the grounds that these documents contain personal information.*

**Agenda Item 10: Strategic Plan for the Green Climate Fund**

95. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/06 titled "Report on the development of the draft Strategic Plan for the Green Climate Fund: submission from the ad hoc group of Board/Alternate members". They noted that during the informal Board dialogue in Cape Town, on 2-4 February 2016, the Board had received a report from the facilitator of a small group, Mr. Karsten Sach, which expressed a range of views on the Strategic Plan. On behalf of the Board, they wished to thank and acknowledge with gratitude the effort and work of the small group.

96. They invited Mr. Sach to provide an update. Mr. Sach outlined the structure, which followed decision B.11/03, paragraph (c) (vi), with five main action points. This was an initial plan, and was the best result that could have been achieved by the group in that timescale. The facilitator stated that the document could not take on board all issues, but that the group wanted to move to the implementation phase of the Strategic Plan.

97. The Co-Chairs invited Board members to comment on the elements of the draft decision. They stated that, bearing these comments in mind, they would propose a way forward.

98. There was support from Board members that the Strategic Plan formed a good basis to move forward, and the group was commended for its work. In the discussion which followed, Board members expressed views on a range of issues.

### Private sector

99. Some Board members wanted to see stronger reference to private sector involvement with the GCF. One Board member highlighted the importance of including financial flows from the private sector and the involvement of capital markets in achieving transformational change. Two Board members wanted a specific reference to the private sector in the least developed countries (LDCs) and small island developing States (SIDS), as referenced under the Private Sector Facility section in the Governing Instrument.

### Gender

100. Other Board members stressed that there needed to be a stronger emphasis on gender in the Strategic Plan, and that it should be revised at the next replenishment to strengthen this aspect. Some Board members thought that the GCF should not only be gender-sensitive, but should also be gender-responsive. One noted that the GCF was the first international institution to integrate gender-responsiveness from day one.

### Scale

101. Two Board members were concerned that the definition of scale in the Strategic Plan was too limited, and should go beyond financial value and replicability to avoid disadvantaging the LDCs and SIDS. One Board member stressed that this was very important for the LDCs and SIDS which considered scale in terms of human and technological resources, and the extent to which interventions ensured country ownership. These types of projects could have transformational impact in those countries.

102. A member of the ad hoc group responded that the intention of the definition of scale in the Strategic Plan was not to exclude small countries, but rather referred to the GCF funding projects and seeding ideas that began as small pilots and could grow in any country regardless of its size.

### Linkages

103. Other Board members highlighted that the Strategic Plan should be clearly linked with the Governing Instrument and previous decisions, as well as guidance from the COP and the Paris Agreement, and other international climate finance processes, to ensure that it was relevant and consistent with these.

104. Some Board members stressed that the Strategic Plan needed to contain operational priorities that were driven by needs, and two wanted a specific reference to the Paris Agreement in this regard. One Board member wanted the Strategic Plan to reference the fact

that the GCF supported developing countries in their implementation of national policies and plans to achieve mitigation and adaptation commitments under the Paris Agreement, as well as the paradigm shift to low-emission and climate-resilient development. One Board member suggested that NDAs, as opposed to AEs, should submit work plans identifying pipelines. Another Board member stressed that the Strategic Plan needed to provide clarity on the size of the package of resources.

## Risk taking

105. One Board member stressed that the GCF should go where no one had gone before and should take greater risk, while ensuring management of environmental and social risks. Furthermore, they stated that with respect to country ownership, the GCF needed to take on board the role of indigenous peoples and communities.

106. Several Board members wanted to strengthen the idea that the GCF could act as a knowledge platform.

107. The Co-Chair proposed that the Board mandated the Co-Chairs to consult with Board members and to present a draft decision to the Board the following day.

## Living document

108. The PSO active observer stated that they wanted to understand the scope and timing for revision of the Strategic Plan in terms of structural changes in the Secretariat as it was important to understand how such changes could be captured in a living document in the future.

109. The CSO active observer stated that it was important that the Strategic Plan was a living document that would be kept alive through the next 18 months, rather than just being revised as part of the replenishment process. They gave recognition to issues on transparency, ESS and risk management, and the exclusion of fossil fuels from the portfolio of the GCF.

110. The Co-Chairs emphasized that the Strategic Plan was a living document that would continually be updated and adjourned the item.

111. The agenda item was reopened. The Co-Chairs informed that Board that a draft decision had been circulated and that Board members had overnight to look at it before the discussion resumed the next day in the plenary. They then adjourned the agenda item.

112. The Co-Chairs reopened the agenda item stressing that there was no time for consultations, and that, in the absence of consensus, the Board would be 'taking note' of the document.

113. There were further exchanges among Board members as to the nature of the Strategic Plan as a living document, and whether it would be revised as part of each replenishment of the Fund or would be constantly developed.

114. The Co-Chairs re-emphasized that the Strategic Plan would be a living document and suggested deleting the reference to the replenishment process.

115. A Board member stated that it would not be a Strategic Plan if it was continuously updated. Another Board member stated that the GCF needed deadlines on when to update the document.

116. The Co-Chairs noted that they had publicly stated that the Strategic Plan was a living document and this would therefore be on record.

117. Another Board member requested the floor to make a further intervention. They stated that there were many aspects of the Strategic Plan that had caused concerns for the developing

country constituency but that they had not wished to block consensus. Owing to these difficulties, they wished to capture the idea that it was a living document which was iterative. The Co-Chairs noted that in decision B.11/03, paragraph (c)(ii), the Board had recognized that the Strategic Plan was a living document and reminded Board members that all GCF decisions were living. They reminded Board members that they had already confirmed for the record that it was a living document and they were seeking to achieve consensus.

118. As a solution, a Board member suggested to move the reference to the Strategic Plan being a living document from paragraph (j) to paragraph (a).

119. There were no objections to this revision and the decision was adopted.

120. The CSO active observer requested the floor. However, the Co-Chairs stated that observers could not comment on or object to a decision that had been taken by the Board as decision-making was solely the authority of the Board.

121. The Board adopted the following decision:

#### *DECISION B.12/20*

*The Board, having considered document GCF/B.12/06 titled "Report on the development of the draft Strategic Plan for the Green Climate Fund: Submission from the ad hoc group of Board/Alternate members",*

- (a) Endorses the Strategic Plan for the Green Climate Fund, which is a living document, as contained in annex I, as the initial GCF Strategic Plan to guide the Board in addressing policy gaps and programming the Fund's resources of the Initial Resource Mobilization period between 2015 and 2018 and to invest the Fund's resources in transformational climate actions in a country-driven manner;*
- (b) Resolves to swiftly implement the Strategic Plan in order to meet the Board's aspirational approvals target for 2016 and to scale up the Fund's investments in ambitious climate action;*
- (c) Requests the Secretariat, under the Co-Chairs' guidance, to integrate the operational priorities and action plan included in the Strategic Plan in the Work Plan for 2016, and subsequent Work Plans;*
- (d) Requests the Secretariat to take all steps necessary to implement the action plan in a gender-responsive manner, and report at each Board meeting on progress achieved;*
- (e) Notes that the implementation of the operational priorities and action plan will be guided by the Governing Instrument for the GCF, including the objective and principles laid out therein;*
- (f) Requests the committees, panels and groups of the Board to include the actions outlined in the Strategic Plan in their respective deliberations and work programmes, as appropriate, throughout the Initial Resource Mobilization period, and to present these work programmes for consideration at the thirteenth meeting of the Board;*
- (g) Acknowledges that the strategic priority matters as expressed by Board members during the discussion at the twelfth meeting of the Board, which will be recorded, will be considered in the course of the implementation of the Strategic Plan, and urges the Co-Chairs, committees, groups and panels, and the Secretariat to consider these matters;*
- (h) Welcomes the decision reached at the twenty-first session of the Conference of the Parties that the GCF, as an operating entity of the Financial Mechanism of the Convention, will serve the Paris Agreement;*

- (i) *Requests the Secretariat to present, for consideration by the Board at its thirteenth meeting, a proposal on how the Fund could support the implementation of the Paris Agreement and related decisions of the Conference of the Parties; and*
- (j) *Decides to review the Fund's Strategic Plan as part of each replenishment process with a view to revising the strategic vision, if and as needed, and to update the core operational priorities and underlying action plan for the coming replenishment cycle, taking into account evolving priorities, including guidance from the Conference of the Parties and relevant reports from the independent evaluation unit.*

## Agenda item 11: Strategy on accreditation

122. The Co-Chairs opened the agenda item and called on the chair of the Accreditation Committee to report to the Board.
123. The chair of the Accreditation Committee, Ms. Dianne Black-Layne, informed the Board that the committee had met on the fringes of the informal Board dialogue held in Cape Town in February 2016, and held two virtual meetings since then to discuss accreditation strategy. It had also met with members of AP and expressed interest in reading the forthcoming report of AP emerging from its retreat in January. It noted that the Country Programming Division of the Secretariat was understaffed.
124. The Co-Chairs presented a draft decision calling for the Board to take note of progress made and defer consideration of the accreditation strategy to the thirteenth meeting of the Board.
125. One Board member called for more information on the fast-track accreditation mechanism and lessons learned in this area to be included.
126. A Board member called for specific reference to be made to achieving balance between international and direct access entities. A member of the Accreditation Committee noted that the more general language in the text enabled many different aspects of balance to be taken into account.
127. The Board took note of the advice of the Accreditation Committee on a strategy for accreditation.
128. The Board adopted the following decision:

### *DECISION B.12/21*

*The Board,*

- (a) *Takes note of the report of the Accreditation Committee on its progress to develop a strategy on accreditation, as contained in annex II; and*
- (b) *Decides to defer its consideration of the strategy on accreditation to the thirteenth meeting of the Board.*

## Agenda item 12: Process for the Appointment of the Executive Director

129. The Co-Chairs informed the Board that this item would be considered in a closed executive session as per the Rules of Procedure.
130. The Co-Chairs introduced and led discussions of the Board on the process for the appointment of the Executive Director.

131. The Board adopted the following decision:

*DECISION B.12/22*

- The Board, having reviewed the proposition of the Executive Director Selection Committee,*
- (a) Notes the decision of the Executive Director to complete her current term in office, and not to seek an appointment for the second term at the end of the three-year term;*
  - (b) Acknowledges with appreciation the contributions of the Executive Director to the establishment of the Fund's Secretariat at its headquarters in Songdo, Republic of Korea, and the operationalization of the Fund, including the significant role of the Executive Director in the Initial Resource Mobilization process; and looks forward to working with the Executive Director until the completion of her term;*
  - (c) Requests the Co-Chairs to agree a set of objectives with the Executive Director to cover the remainder of the term, and to share them with the Board;*
  - (d) Establishes the ad hoc Executive Director Selection 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;*
  - (e) Adopts the terms of reference of the Executive Director Selection Committee as set out in annex III;*
  - (f) Requests the Executive Director Selection Committee to develop a performance framework for the Executive Director;*
  - (g) Appoints as members of the Executive Director Selection Committee:
    - (i) Mr. Omar El-Arini;*
    - (ii) Mr. Anton Hilber;*
    - (iii) Ms. Caroline Leclerc;*
    - (iv) Mr. Leonardo Martinez-Diaz;*
    - (v) Mr. Jorge Ferrer Rodriguez; and*
    - (vi) Mr. Ayman Shasly;**
  - (h) Adopts the updated terms of reference of the Executive Director as set out in annex IV;*
  - (i) Adopts the selection process for the Executive Director as set out in annex V;*
  - (j) Takes note of the indicative timeline of the entire process for the appointment of the Executive Director as set out in annex VI;*
  - (k) Decides to engage the services of an independent executive search firm to support the Executive Director Selection Committee;*
  - (l) Endorses the terms of reference of the independent executive search firm as set out in annex VII; and*
  - (m) Approves a budget increment for 2016 for the selection of the Executive Director, including the costs of the independent executive search firm as set out in an annex, which has been shared as limited distribution.*

## **Agenda item 13: Funding proposals and matters related to the proposal approval process; including status of the Fund's pipeline and the Project Preparation Facility**

### **Agenda item 13(a): Update on the status of the Fund's pipeline**

132. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.12/Inf.08/Rev.01 titled "Status of the Fund's portfolio: pipeline and approved projects".

133. A representative of the Secretariat presented an update on the status of the project and programme pipeline, and provided a regional and sectoral breakdown of the most advanced projects and programmes in the pipeline. In addition, they also highlighted the particular support needed by direct access entities in order to provide complete, high-quality funding proposals.

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

135. One Board member stressed that, in order to increase the number of direct access entities in the pipeline of proposals, there needed to be measures taken within the processes of the Secretariat to support these entities in developing projects and programmes. With no further comments, the Board took note of document GCF/B.12/Inf.08 and the Co-Chairs closed the agenda sub-item.

### **Agenda item 13(b): Progress report on the review of the project approval process**

136. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.12/Inf.05 titled "Review of the initial proposal approval process (progress report)", noting the background decisions that mandated addressing several aspects of the proposal approval process, and invited a representative of the Secretariat to present an update on the progress in addressing these aspects.

137. A representative of the Secretariat highlighted the action taken as part of the review, and other key points. They outlined the work in operationalizing the PPF and noted that the PPF, along with the readiness activity area 4, would help to strengthen and scale up the pipeline. With the inclusion of PPF, concept notes would acquire a more relevant role as part of a two-stage approval process. They also mentioned that the approval work on the simplification of the proposal templates had been initiated with inputs from several AEs, NDAs/focal points (FPs) and the TAP. They flagged the need for the Board to develop guidelines for programmatic proposals, and highlighted the discussion of a deferral option for funding decisions.

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

139. Some of the comments of Board members addressed general aspects of the proposal approval process, while others focused on particular sub-items subject to the update.

140. Regarding general aspects of the proposal approval process, one Board member noted that the process of updating provided an opportunity to have a deeper discussion about the kind of process that the GCF needed, and that the process should allow ample time to consider all inputs, including those from AEs.

141. This point, on considering the update holistically, was echoed by other Board members. One Board member observed that this process should be linked to the development of a simplified approval process. Another noted the links to documents on the risk and performance monitoring framework, and to the development of results-based approaches. Two Board members agreed that it would be helpful to understand how the current proposal approval

process worked, how resource-intensive it was, and why projects took time to advance through the pipeline. One expressed a wish to significantly speed up the process, and that updates should be aimed at simplifying the process rather than adding to its complexity. Several Board members proposed that the update of the proposal approval process offered Board Members another opportunity to provide inputs.

142. A number of more specific points were made by Board members about the proposal approval process review.

143. Two Board Members considered that the role of NDAs/FPs should be strengthened, for example involving them in consultation and feedback at the concept note stage. One of them also expressed the view that if the Board decided to introduce a two-stage process with concept notes approved by the Board, no-objection letters from NDAs/FPs should be mandatory.

144. Regarding the concept note stage, one Board member suggested that the Board should be involved at this stage rather than considering full funding proposals in detail.

145. Regarding project preparation, a Board member noted the helpfulness of paragraph 30 in document GCF/B.12/Inf.05, showing the relationship between readiness activity 4 and PPF, and thought it would be useful to further clarify how the two processes related to each other, for example by using readiness activity 4 for idea generation and PPF for development of the proposals. Two Board members suggested that regional offices with technical experts could be a great support to help with scoping of programmes and project preparation in countries in each region, with one of them highlighting this need in SIDS in particular.

146. The need to develop guidelines to operationalize the programmatic approach was noted by other Board members. One of them opined that the document did not yet include sufficient guidance for the Board to make a focused decision.

147. On the issue of transparency, several Board members underlined its importance. One Board member suggested that it was overly theoretical, and that the current system did not allow the Board to know sufficient details about the approval process and pipeline. Another felt that transparency could help to improve the effectiveness of the approval process, while another Board member requested that the Secretariat's due diligence reports be made public.

148. On the section on eligibility criteria and benchmarks, a Board member recognized the need to further refine these, to ensure countries understood which projects would be considered as eligible activities.

149. Another Board member expressed support for the option to defer approval if the amount of information was insufficient to take a funding decision.

150. One Board member stated that it was necessary to look into the issue of the operationalization of the principle of incremental costs as covered in the Governing Instrument, and suggested that the Secretariat commission a study on the use of incremental costs in other funds.

151. Regarding the role of the TAP, a Board member suggested expanding its mandate to cover aspects such as compliance with ESS.

152. Finally, a Board member stated that the Board should make clear how projects would be prioritized when resources were exhausted.

153. The Co-Chairs thanked Board members for their comments and proposed to amend the draft decision by mandating the Co-Chairs to oversee the work of the Secretariat in the review of the proposal approval process; and deferring the update to the fifteenth meeting of the Board to allow more time to consider inputs from countries and other stakeholders. The possibility of linking the update of the proposal approval process to the development of simplified approval processes was initially considered, but was later rejected because of timing issues.

154. The inclusion of language on oversight of the review by the Co-Chairs was objected to by one Board member, who stated that they already had a lot of responsibilities in other areas where more substantive oversight work was required to move forward. The Co-Chairs accepted the point, while noting that they would still play an oversight role as they did as per regular practice.

155. Finally, a Board member sought clarification as to whether the reference to “active observers” in the draft decision implied a limitation as to who would be able to provide submissions. The Co-Chairs clarified that it was not their intention to exclude any observers and amended the language to include all observers.

156. With no further changes, the Board adopted decision B.12/23.

### *DECISION B.12/23*

*The Board,*

- (a) *Requests the Secretariat to review the initial proposal approval process taking into account the views expressed at B.12, and to present, for consideration by the Board at its fifteenth session, the outcome and recommendations from the review, and*
- (b) *Invites submissions, no later than 10 April 2016, from Board and alternate members, observers, accredited entities, NDAs/FP, and delivery partners, in relation to the review and in accordance with decision B.11/11 paragraph (j), as well as paragraphs (c) and (d).*

### **Agenda item 13(c): Project Preparation Facility**

157. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.12/Inf.06 titled “Progress and outlook report of the Readiness and Preparatory Support Programme”, as well as document GCF/B.12/Inf.06/Add.02 titled “Progress and outlook report of the Readiness and Preparatory Support Programme – addendum: project preparation funding application”. They noted that decision B.11/11 approved the establishment of PPF, a facility welcomed by the COP in UNFCCC decision 7/CP.21. They outlined that the item contained two elements: consideration of an application for funding under PPF and further guidelines for the facility.

158. A representative of the Secretariat, upon invitation of the Co-Chairs, introduced the sub-item. They explained the Secretariat’s efforts to operationalize the Project Preparation Facility. The Secretariat had developed a guidance note and template for PPF and shared this information with direct-access entities. They presented the first PPF application submitted by the Ministry of Natural Resources of Rwanda (MINIRENA) to the Board for their consideration. MINIRENA requested USD 1.5 million to undertake the studies and legal arrangements required to develop a funding proposal for a programme titled “Rural green economy and climate resilient development programme”. They added that initial assessment of the concept note for the programme against GCF investment criteria showed that it demonstrated the potential to contribute to the objectives of the GCF and was also in line with the impact areas of the GCF.

### **First round of discussions**

#### **Application submitted by the Ministry of Natural Resources of Rwanda**

159. Many Board members welcomed the PPF application from MINIRENA and appreciated the work of the AE and the Secretariat in bringing a quality proposal to the Board. They noted that this proposal demonstrated interest in PPF and its value.

160. Board members questioned how the application and the funding proposal of the underlying programme had been assessed and how the underlying programme met the objectives of the GCF; in particular, clarification on how this constituted a climate change related project was requested.
161. Some Board members asked what value-added aspect would be provided by GCF resources, as one Board member highlighted that the underlying programme aimed at expanding an existing model village project which already received Adaptation Fund resources; further clarification on the involvement of other donors was requested.
162. The Secretariat responded that the funding proposal had been assessed against GCF investment criteria and was deemed well-aligned with these, and pointed out that through the PPF funding the programme expected to scale up the existing pilot programme by a factor of 10. They noted that one component of the Secretariat assessment included a financial plan providing information on potential finance coming from other organizations working in Rwanda.
163. The Co-Chairs took note that the documents did not include a recommendation from the Secretariat and asked whether the Secretariat recommended the application for approval. A representative of the Secretariat confirmed that the application was being recommended based on the assessment of the funding proposal against the six investment criteria in place.
164. Some Board members insisted that the Board should first fine-tune the guidelines before taking a decision on the application so as not to set a precedent. However, other Board members stressed that the entity should not be punished for being diligent and ambitious, submitting the application in a timely manner following decision B.11/11.

### **Project Preparation Facility guidelines**

165. Several Board members expressed concerns over the operationalization of PPF, including an approval process in the absence of clear guidelines and policy.
166. Board members debated whether to push for a decision on guidelines at the present or the following Board meeting, and whether to continue considering applications to PPF in the absence of approved guidelines.
167. Board members made a number of suggestions on what to take into consideration when developing PPF further, including:
- (a) How this would dovetail with readiness activity area 4 and ensuring coherence with other funds in order to avoid the duplication of work;
  - (b) Monitoring stages;
  - (c) Comparing PPF with existing models;
  - (d) The use of concept notes; and
  - (e) Decision-making procedures.
168. The CSO active observer stated that PPF should serve only direct access entities and that the no-objection procedure must apply across the board, thus making a no-objection letter a prerequisite for PPF funding.
169. The Co-Chairs suggested that the Board should split the decision, considering the application and guidelines separately. The Board reached a consensus to approve the PPF application submitted by MINIRENA and the Co-Chairs requested that Board members form a small group in order to draft a decision text on the operationalization of PPF for the Board to consider the following day.

170. The Board adopted decision B.12/24 and the Co-Chairs adjourned the agenda item.

#### *DECISION B.12/24*

*The Board, having considered document GCF/B.12/Inf.06/Add.02 titled "Progress and outlook report of the Readiness and Preparatory Support Programme – addendum project preparation funding application",*

- (a) Takes note of the project preparation funding application for the Rural Green Economy and Climate Resilient Development Programme (by the Ministry of Natural Resources of Rwanda), as contained in document GCF/B.12/Inf.06/Add.02;*
- (b) Also takes note of the assessment of the Secretariat in accordance with decision B.11/11, paragraph (I); and*
- (c) Approves the amount of USD 1.5 million in grants for the project preparation of the programme titled "Rural Green Economy and Climate Resilient Development Programme", submitted by the Ministry of Natural Resources of Rwanda.*

#### **Second round of discussions**

171. The Co-Chairs reopened the agenda item and circulated the draft decision to the Board. A Board member presented the work of the small group on the draft decision, emphasizing the urgent need to fill the policy vacuum for PPF, suggesting that the text presented here could offer an initial skeleton structure with the Secretariat then fleshing out the facility. The proposed structure included a cap of 10 per cent or USD 1.5 million; a focus on direct-access entities with the possibility of financing through international entities for vulnerable countries without direct-access entities already accredited; a clarification on the use of concept notes; an allocation envelope of USD 50 million; and the decision-making process for the approval of applications.

172. Several Board members raised issues with the draft text, including:

- (a) The rationale behind the proposed cap and allocation envelope of PPF funding;
- (b) Eligibility to access PPF resources; and
- (c) The investment criteria to be used.

173. The Co-Chairs and many Board members agreed that it was unlikely that a consensus on the draft decision would be reached and suggested deferring it to the thirteenth meeting of the Board. They asked the Secretariat to prepare a policy paper containing suggested guidelines for the operationalization of PPF. Several Board members requested that the Secretariat include an assessment on how PPF and activity area 4 of the Readiness and Preparatory Support Programme interacted, as there could be certain areas of overlap between the two windows for project preparation.

174. The Board further discussed if they could approve further PPF applications before a decision was taken regarding PPF guidelines. Some Board members felt that doing so would pose too great a risk in the event of contradictions arising with the future approved guidelines, while others highlighted the urgent need for the facility in vulnerable countries.

175. The Board agreed to consider guidelines with a view to their adoption at its thirteenth meeting. It noted that it would consider applications under PPF once the guidelines were adopted.

176. The Board adopted decision B.12/25 and the Co-Chairs closed the agenda item.

### *DECISION B.12/25*

*The Board,*

- (a) *Requests the Secretariat to present a document, taking into consideration the views expressed by the Board at its twelfth meeting, on matters related to the scope and functioning of the Project Preparation Facility, for consideration and adoption by the Board at its thirteenth meeting; and*
- (b) *Notes that the Board will consider applications under the Project Preparation Facility once the guidelines are adopted.*

### **Agenda item 14: Communications Strategy of the Fund**

177. The Co-Chairs opened the agenda item and its associated document GCF/B.12/Inf.03 titled “Communications strategy of the Green Climate Fund”. They proposed to defer its consideration to the thirteenth meeting of the Board.

178. There being no objections, it was so decided.

179. The Board adopted the following decision:

### *DECISION B.12/26*

*The Board,*

*Decides to defer its consideration of the Communication strategy of the Fund to the thirteenth meeting of the Board.*

### **Agenda item 15: Status of resources and staffing of the Secretariat**

180. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/15 titled “Revised administrative budget and staffing of the Secretariat for 2016”. They invited a representative of the Secretariat to take the floor.

181. A representative of the Secretariat presented the above-mentioned document. They explained that it built upon document GCF/B.11/11 titled “Annual update of structure and staffing of the Secretariat” and GCF/B.11/12 titled “Administrative budget of the Green Climate Fund for 2016-2018”, as well as input from the informal Board dialogue in Cape Town in February 2016 and the informal session in Songdo, Republic of Korea, in March 2016. They outlined the Secretariat’s assessment of the need for extra staffing, for the post-operationalization phase of the GCF, to 180 permanent members of staff in order to:

- (a) Provide stronger support to AEs, NDAs/FPs and countries;
- (b) Handle the increase in portfolio development and management;
- (c) Cover the increase in terms of institutional, legal and administrative support needs; and
- (d) Make up existing shortfalls.

182. A Board member questioned why more functions were not contracted out to AEs and the Trustee, as was the case in other organizations. The Secretariat noted that a decision had been taken by the Board to establish an independent Secretariat, independent from accredited entities and independent from the Trustee. This therefore differed from other trust funds which were hosted within organizations, and that the staffing proposal covered essential needs within the GCF.

183. The Co-Chairs suggested mandating the Budget Committee to discuss this item and return to the Board with a proposal. This was approved by the Board and the item was adjourned.
184. The Co-Chairs reopened the agenda item and invited the Budget Committee to take the floor.
185. The chair of the Budget Committee, Ms. Caroline Leclerc, presented the results of the consultations of committee members with the Secretariat, AEs, the Trustee and the TAP, as set out in the draft decision presented to the Board.
186. Ms. Leclerc noted the unsustainable nature of the current situation, stressing that the Secretariat was understaffed and highlighting the issue of the large proportion of consultants in what could be permanent staff positions.
187. Ms. Leclerc proposed an increase to an approximate 140 members of staff by the end of 2017 and an approximate 100 by the end of 2016, in a phased approach to ensure that this scenario was both practical from the recruitment standpoint and that such extra capacity could be absorbed by the Secretariat, focusing first on priority areas. It was also suggested that the consultants currently working for the GCF could constitute a good pool of candidates to draw on to fill these permanent positions.
188. Ms. Leclerc noted the need for further guidance on the appropriate level of due diligence to be conducted by the Secretariat.
189. On behalf of the committee, Ms. Leclerc recommended a corresponding budget increase, bringing the budget of the Secretariat to around USD 35.8 million for 2016, noting that the Budget Committee would look into further budget implications for 2017 and 2018. It was also recommended that the Board be mindful of budget implications when taking decisions in the future.
190. The committee noted that there were limited opportunities to increase the role of the Interim Trustee (i.e. the World Bank), and so reduce workload of the Secretariat, but that some further discussion would be needed on this.
191. The Board adopted the following decision:

*DECISION B.12/27*

*The Board having considered document GCF/B.12/15 titled "Revised administrative budget and staffing of the Secretariat for 2016",*

- (a) *Notes that the current workload is being carried out by a complement of 56 regular Secretariat staff and approximately 33 long-term consultants, and acknowledges that this situation is unsustainable and should be addressed as a priority;*
- (b) *Further notes the need to increase the number of regular staff in the Secretariat to an approximate total of 100 by the end of 2016 and to further increase to a total of approximately 140 by the end of 2017, taking into consideration the ability of the Secretariat to recruit and absorb the increasing staff numbers, following the appropriate processes;*
- (c) *Requests the Secretariat to consider filling new positions with internal candidates where appropriate, on a priority basis;*
- (d) *Approves the following amounts additional to the approved administrative budget in decision B.11/08:*
- (i) *USD 4,351,993 for staffing;*

- (ii) *USD 1,562,855 in ancillary non-staff costs; and*
  - (iii) *USD 772,640 for the administrative budget of the Board;*
- (e) *Notes that now the total administrative budget for 2016 will be USD 35,844,715, and takes note of the budgetary implications for future years;*
- (f) *Recognizes the need for further guidance from the Board on some of the Secretariat's functions, inter alia, the appropriate level of due diligence for project proposals, and rationalization and streamlining of processes;*
- (g) *Requests the Secretariat to provide a revised version of the annual presentation of the staffing structure to inform the Budget Committee, in its review and recommendations on budget implications for 2017 and 2018, by the thirteenth meeting of the Board;*
- (h) *Also requests the Budget Committee to consult with the Secretariat and make recommendations on the administrative budgets for 2017 and 2018 by the fourteenth meeting of the Board;*
- (i) *Authorizes the Secretariat to enter into contractual obligations, from the approved budget, to ensure the continuation of the operations of the Fund beyond the current financial period; and*
- (j) *Agrees that for new decisions with additional budgetary implications, which may be taken at future Board meetings, the corresponding amounts will be considered by the Board to be added to the approved administrative budget.*

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

### **Agenda item 16(a): Status of the initial resource mobilization**

192. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.12/14 titled "Status of the Initial Resource Mobilization process". They thanked the Secretariat for its work on the Initial Resource Mobilization (IRM) process and recognized the announcement by the Mr. Martinez-Diaz on behalf of the Government of the United States of America of its contribution arrangement of USD 3 billion. They thanked the Board member for his work in finalizing this matter, which represented a significant milestone for the GCF.

193. They asked the Secretariat to provide an update on IRM. The Executive Director provided an update on the progress made in converting pledges in the IRM period of the GCF. Regarding the status of contributions as at 19 February 2016, five additional countries, which were reported as unsigned at the eleventh meeting of the Board, had formalized and signed their contribution agreements/arrangements, namely Canada, France, Portugal, Spain and Switzerland.

194. During COP 21, 10 countries and subnational governments announced new pledges: Bulgaria, Cyprus, Iceland, Ireland, Luxembourg, the Flanders region, the Walloon region, Brussels Capital Region, Lithuania, and the City of Paris. As at mid-February 2016, the total signed contribution arrangements and agreements stood at USD 6.85 billion compared to total pledges of USD 10.3 billion equivalent. The Government of the United States of America had further signed an arrangement indicating its intention to contribute USD 3 billion and to make an initial payment of USD 500 million, half in grants and half in capital, in 2016. Once this payment has been received by the GCF Trust Fund, this would increase the commitment authority and disbursement capacity of the GCF by USD 500 million.

195. The total amount in the GCF Trust Fund, as at the end of December 2015, was approximately USD 700 million in cash and USD 1.2 billion in promissory notes. When

commitments resulting from existing decisions were removed, the residual commitment capacity stood at USD 1.6 billion as at the end of December 2015. This represented what the Board could approve in projects and programmes.

196. This provided a forecast of how the commitment authority would evolve over time during the IRM period, so the Board could expect, in addition to the December 2015 figures, USD 1.4 billion by December 2016, USD 1.8 billion by the end of 2017 and USD 1.2 billion as by the end of 2018. If more payments under contributions were made or contribution agreements were signed, these figures would be updated.

197. The difference between commitment capacity and cash was that the commitment capacity included promissory notes, which could be used to approve projects. Cash was what was available as liquidity for the GCF that could be disbursed. It was expected that at the end of 2016, the disbursement capacity would stand at USD 1 billion of new resources, then USD 1.4 billion at the end of 2017 and USD 1.2 billion at the end of 2018.

198. The draft decision for this agenda sub-item noted that a number of contributors were planning to make some of their payments in 2019 and 2020 which technically fell outside the IRM period. Under decision B.08/13, the GCF would have the flexibility to continue receiving contributions on an ongoing basis throughout the IRM period. It was then a question of whether the Board would enable the GCF to honour and accept those contributions. Iceland, Luxembourg, the city of Paris and Viet Nam would all make contributions between 2016 and 2020.

199. Concerning Spain, the payment schedule specified two conditions. In the first of these, Spain expected the Board to approve no less than four projects in any given calendar year in which the payment schedule fell. Under the second condition, the payment schedule entailed USD 35 million to be paid in 2019 and USD 43 million to be paid in 2020.

200. A Board member from Italy confirmed that budgetary approval had now been obtained and the Government of Italy would be able to sign its contribution agreement in the near future.

201. A Board member raised a question regarding the first condition stipulated by Spain as to whether the contribution would only be made and the money released when the four projects had been approved. They also noted that with confirmation of the contribution arrangement of the United States, the Board had no excuse not to disburse funds. The Executive Director explained that as part of getting approval the Spanish administration had to demonstrate that the GCF was active and set a low threshold. Funds would be disbursed when four projects were approved in a given calendar year. Another Board member thanked the Government of Spain and stated they had no concerns over the condition of at least four projects per annum. However, they wondered what might be the implications if such a condition was approved for those countries which had already made pledges, as the Board had decided not to exercise earmarking or conditionality. The Board member wished to be reassured that there were no other conditionalities of any nature that had been established. They asked for clarification on the link to the USD 35 million or USD 43 million. Another Board member thanked the Government of the United States of America and the Executive Director for efforts to get pledges from unexpected sources.

202. Regarding payments beyond the IRM period, a Board member expressed support for full flexibility in receiving any contributions.

203. The Executive Director clarified that at the end of each negotiation process with a contributor, if there was a special need which was not within the framework of the contribution policy, the Secretariat would bring it to the attention of the Board. The Secretariat had executed the agreement with Spain with a clear clause that it would only be valid if and when the Board accepted that it was confident it would approve at least four projects per annum. Regarding payments made beyond the IRM period in 2019 and 2020, including those from Spain, Viet Nam,

the city of Paris and Luxembourg, the Secretariat wished to confirm this was acceptable to the Board.

204. A CSO active observer noted that the position of civil society was that there should not, in principle, be conditions on contributions, even if relatively minor. The decision of the Board regarding the Spanish stipulation that payment would be subject to approval of at least four projects a year should not be taken as a precedent for future conditions, irrespective of contribution type, whether grants, loans, public or private, as it went against the spirit of the GCF. The CSO active observer also requested that even when the Board was moving at a fast pace in adopting decisions, the Co-Chairs should ensure that space was given for civil society interventions.

205. Another Board member proposed that the decision explicitly reflect that such contributions (in 2019 and 2020) would be considered as part of the IRM period. Following an amendment to this effect, the decision was duly adopted.

#### *DECISION B.12/28*

*The Board, having reviewed document GCF/B.12/14 titled "Status of the Initial Resource Mobilization process",*

- (a) *Endorses that contributions pledged within, as part of, the Initial Resource Mobilization period, may be paid up to and including 2020; and*
- (b) *Also endorses (i) the terms specified in paragraph 6.4, and (ii) the payment schedule specified in paragraph 6.3 of the contribution agreement among the Kingdom of Spain, the Green Climate Fund and the International Bank for Reconstruction and Development, serving as the Interim Trustee of the Green Climate Fund Trust Fund, dated 6 January 2016 as contained in annex VIII.*

#### **Agenda item 16(b): Loan Agreements**

206. The Co-Chairs introduced this agenda sub-item and drew the attention of the Board to document GCF/B.12/12 titled "Status of the Initial Resource Mobilization process: loan agreement/arrangement", which proposed a decision to confirm the terms of the respective loan arrangements between the GCF and governments of Canada and France. They thanked both those governments and the Secretariat for working to confirm these loan agreements and requested that the Board confirm the proposed loan agreements. There were no objections and the decision was duly adopted.

#### *DECISION B.12/29*

*The Board, having reviewed document GCF/B.12/12 titled "Status of the Initial Resource Mobilization process: loan agreement/arrangement",*

- (a) *Confirms the terms of the Loan Arrangement among the Government of Canada, the Green Climate Fund and the International Bank for Reconstruction and Development, serving as the Interim Trustee of the Green Climate Fund Trust Fund, dated 9 December 2015 as contained in annex IX; and*
- (b) *Also confirms the terms of the Loan Agreement among Agence Française de Développement, acting on behalf and at the risk of the French Government, the Green Climate Fund and the International Bank for Reconstruction and Development, serving as the Interim Trustee of the Green Climate Fund Trust Fund, dated 9 December 2015 as contained in annex X.*

## Agenda item 17: Consideration of accreditation proposals

207. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/07 titled “Consideration of accreditation proposals”, and its two limited distribution addenda, Add.01 and Add.02.

208. A representative of the Secretariat, upon invitation of the Co-Chairs, introduced the agenda item. They noted that readiness was key to ensuring a balance in the entities coming forward for accreditation, mentioning the self-assessment tool on the GCF website for entities seeking to apply to gauge their eligibility. Post-accreditation support was also highlighted as key, for example to upgrade project size categorization and to ensure that projects were implemented in accordance with the rules such as the GCF monitoring and accountability framework. They set out the current status of the pipeline of 158 entities seeking accreditation: 62 entities were at the initial phase of accessing the online accreditation system; 52 were at stage I (the institutional assessment and completeness check); 24 were at stage II (technical assessment by AP), with 13 of these being recommended for accreditation at the twelfth meeting of the Board. They noted that 20 entities had already been accredited by the Board.

209. The chair of AP, upon invitation of the Co-Chairs, took the floor. They outlined the outcomes of the workshop that the Panel held in Oxford, United Kingdom of Great Britain and Northern Ireland, in January 2016 to consider lessons learned on the accreditation process. They set out recommendations in this regard, including clarifying and strengthening the governance and resources of AP and its ties to the Accreditation Committee; the need to identify and use additional third-party evidence to streamline the process along with fast-tracking; the need for a risk-based approach taking into account anti-money laundering and countering the financing of terrorism; and the need for reflection on principles, standards and safeguards, in particular ESS. They expressed appreciation for the question and answer process held between AP and the Board prior to the Board meeting, and wondered whether this discussion could be placed in the public domain. They also asked for more time to complete the answers to the questions and suggested two to two and a half weeks.

210. The chair of AP then went through the 13 entities put forward for accreditation, noting that if the Board wanted to improve the proportion of direct-access entities coming through, perhaps a change to the first come, first served approach might be required. They noted that although AP endorsed the 13 recommendations, it could not take a position on the acceptability of risk to the GCF in accrediting these entities, including reputational risk, nor could it comment in depth on balance sheets, progress towards decarbonization or human rights records.

211. The chair of AP declared a potential conflict of interest concerning the European Investment Bank, for whom they were a director prior to retirement.

212. Mr. Fakir, Co-Chair, declared a conflict of interest concerning the Development Bank of South Africa.

213. The Co-Chair called for focused discussion on the entities put forward for accreditation, leaving wider strategy issues aside for discussion under agenda item 11, “Strategy on accreditation”.

### First round of discussions

#### Debate on moving to an executive session

214. Shortly after discussions began and individual applicants began to be touched upon by a CSO active observer, a Board member raised a point of order, requesting to move to a closed executive session in order to discuss individual applications and potentially confidential

information, in line with past practice, to ensure a fair process and to avoid any potential liability issues for the GCF.

215. The CSO active observer asked whether they could finish their comments if the Board were to move to an executive session. A Board member echoed this question, stressing the importance of feedback from the PSO and CSO active observers.

216. Other Board members, while respecting the call for an executive session, expressed a preference for continuing entirely in an open session, given that in making the names of applicants publicly available prior to the Board meeting, the practice had already changed, and believing that an open discussion would demonstrate greater transparency, show stakeholders that the Board was fulfilling its fiduciary duty, and display the growing maturity of the Board.

217. One Board member raised an important issue which they believed could only be discussed in executive session, as it could engender legal or litigation issues. They expressed the belief that some entities being put forward for accreditation had exercised undue pressure on some members of the Board to obtain support for their accreditation.

218. One Board member noted that they would like their views to be on the public record, and asked for the Co-Chairs to allow all Board members with the same wish to do so before moving into executive session.

219. While noting the call for an executive session and indicating that the request would be upheld immediately if sustained, the Co-Chairs suggested inviting further general comments on the accreditation process in open session before moving to executive session for the discussion of individual applications.

220. Following further discussions on the agenda item, the Board member that had made the request withdrew it, while expressing disappointment that discussions had continued in an open forum, expressing concern that discussions could either promote or damage entities, and reminding those present of the power of the platform from which they were speaking. This statement was supported by another Board member, while the chair of AP also queried whether an open forum was the best setting for discussing a recommendation on the upgrading or downgrading of conditions.

221. Noting all comments made, the Co-Chairs invited the Board to continue in an open setting.

## Accreditation process

222. Several Board members thanked the Secretariat and AP for their work and clear presentations.

223. Many Board members highlighted the need for a clear strategy on accreditation, and called for some changes to the process in general, keeping in mind the Strategic Plan of the GCF and its goals.

224. Noting the call from the chair of AP for more time to consider accreditation proposals, one Board member enquired as to the impact of extending the process.

225. Several Board members commended the enhanced transparency provided by the publication of the names of applicants prior to meetings of the Board. One Board member went further in asking for questions submitted by Board members to AP through the question and answer process held prior to B.12 to be published on the GCF website.

226. One Board member asked whether additional resources would be required to assess entities further downstream, for example executing entities under AEs.

227. Several Board members commended the fact that the process was becoming more robust as lessons were being learned, and expressed an interest in reading the report of the stocktaking retreat of AP in Oxford.
228. Many Board members also called for AP to undertake greater due diligence on applicant entities.
229. One Board member asked for clarification on the exact role of the Board in this process, given that all entities submitted for approval had already passed several stages within the Secretariat and AP.
230. A member of the EAC wondered when the right time would be for an external auditor to look into the accreditation process to ensure that they were working to best practices and that AP was being offered adequate protection.
231. Several Board members asked for a clearer understanding of the assessment process undertaken by AP, calling for it to not only look at policies in place in applicant entities, but their track record in implementing these policies.
232. The CSO active observer called for a review of the way AP worked. They noted that consulting the website of a potential accredited entity, the websites of relevant regulators, and the information provided by the applicant hardly constituted a thorough review, and that the vetting process seemed to be merely about a check on the existence of policies and procedures on paper rather than a verification of the track record of the applicant and its implementation of these policies. They called for the accreditation process to include hearing directly from communities negatively impacted by the activities of an applicant entity, and asked that the Board decide at iB.12 to make public applications for accreditation as soon as they were filed.
233. The chair of AP responded to many of these comments on process, explaining that they worked as a team of five with experts in support, delegating a team leader to a particular case. They would then produce draft findings and recommendations, subject to peer review across the AP. They explained that they looked not just at entities applying for accreditation but also at those already accredited, which meant that the strain on resources grew over time. They subscribed to the need for appropriate and timely public participation and consultation and noted that they systematically assessed this as part of ESS evaluations.
234. Regarding questions on the assessment of whether policies on paper translated to implementation on the ground, they acknowledged that it was difficult to assess the latter, but that they looked for examples of where policies and practices applied and at the resources available to the entity so as to be able to apply these in the future. They stressed that this exercise required a large amount of time and resources, and that although ideally field visits would be carried out, these only occurred to a limited extent for particularly problematic cases. They noted that they did not identify and interview executing entities when the AE used some as an intermediary, but could do so if requested and if given appropriate time and resources.
235. On the timeline for the work of the Accreditation Panel, they explained that they aimed to move entities from stage 2 to being ready for consideration by the Board in the three to four months between meetings of the Board, and that any extra step in the chain would require more time. Finally, they added that they would be happy to provide more information or documentation from the lengthy paper trail that lay behind every recommendation put to the Board.

### **Project size categorization of entities**

236. Several Board members asked for further explanation of the criteria AP used to either upgrade or downgrade an applicant entity in terms of its project size categorization.

237. In particular, questions were raised on the downgrading of the Ministry of Finance and Economic Development (MOFEC) of Ethiopia from the requested “large” category to the “small” category. One Board member noted that their country worked closely with this entity and wondered whether they could be upgraded to the category above, given their experience in managing very large donor programmes. The CSO active observer also questioned this decision, noting that the reason provided was a lack of a proven track record, whereas other entities with proven poor track records had been recommended for larger sizes. However, another Board member thought that this case could be an interesting example of an applicant quickly proving itself and moving up in category size quite rapidly.

238. The same issue was raised regarding the categories recommended for the National Environment Management Authority of Kenya. Some Board members urged for coherence, noting that in this instance again a limited track record seemed to be considered as worse than a proven poor track record.

239. The CSO active observer and some Board members expressed concern about avoiding bias against smaller direct access entities in project size categorization, noting their importance in helping people on the ground.

240. The chair of AP set out the grading process, explaining that they looked into policies and practices, the competence of the entity to apply them, and its track record. They noted that for MOFEC, in particular, the panel had conducted a field visit and allocated considerable resources to considering their application, and had concluded that the current proposal was the best course of action. The panel took the position that it would not change its recommendations on possible upgrades at the present time.

### **Specific issues on the accreditation of entities**

241. Many Board members felt that the accreditation process was not giving enough consideration to factors such as reputational risk to the GCF or the track records of entities in terms of decarbonization, the financing of fossil fuels or human rights. One Board member recalled decision B.10/06, paragraph (j), which called for entities to provide the Board with information on how it would contribute to the mandate of the GCF, and flag “information with potential reputational risks to the Fund”.

242. One Board member raised a potential issue with the application of the Development Bank of South Africa regarding its new and seemingly untested grievance mechanism, and wondered whether that would work in practice.

243. On the application of the National Environment Management Authority of Kenya, another Board member noted that their government did not provide money directly to the Government of Kenya given fiduciary issues, but acknowledged the positive effect which the GCF could have on the country’s institutions.

244. The application of HSBC, in particular, drew comments from many Board members. Concerns were raised over their controls for anti-money laundering and countering the financing of terrorism, its carbon footprint, human rights record and financial scandals.

245. One Board member felt that it would be impossible to find financial institutions with a completely unblemished track record, and that the GCF could have a positive influence in this regard by pushing AEs to come into line with its own fiduciary, environmental and social standards. This was supported by other Board members, who felt that large financial actors could be involved and incentivized to enact the global paradigm shift sought by the GCF. Another Board member noted that HSBC, in particular, was already implementing reform, and that given the Board had accredited Deutsche Bank previously, it had to be consistent in its accreditation decisions.

246. The PSO active observer echoed these comments, calling for more flexibility, noting that a rigid standard on legacy portfolios in terms of fossil fuel financing would exclude most private but also public financial institutions. They suggested incentivizing entities to improve, perhaps looking at the use of market standards such as the Montreal Carbon Pledge. They mentioned considering additional reporting requirements to follow up on remedial actions within entities.

247. The CSO active observer also highlighted the flawed track records of some of the multilateral development banks (MDBs) proposed for accreditation in terms of human rights, environmental and development outcomes, and the impacts of their projects. They vigorously opposed the accreditation of HSBC and Crédit Agricole. Firstly, as they believed scarce public finance should focus on supporting local communities in developing countries rather than subsidizing big banks. Secondly, due to the high risk of the wrong kind posed by these entities to the GCF. For HSBC, in particular, they pointed to its recent financial scandal, money laundering issues, poor record on climate pollution, environmental and social harm, human rights, and fossil fuel financing. They queried whether the Board would accredit a direct access entity from a developing country with a similar track record to HSBC, pointing to a potential double standard. In response to Board members who mentioned consistency with the Deutsche Bank decision, they called for the same mistake not to be repeated, with the Board instead correcting its course.

248. Heeding the call of the CSO active observer, some Board members called for balance in considering proposals, noting the concerns as well as the potential for encouraging improvement in AEs; they called for gaps with regards to due diligence conducted by AP during their accreditation process to be filled to address these concerns. One Board member suggested adding another condition to the HSBC application looking at the extent to which AP could take into account any information which became available in the public domain and make further recommendations to the Board to suspend or remove accreditation if this information was deemed to threaten the reputation of the GCF.

249. The chair of AP noted that carbon foot-printing or greater assessment of reputational risk to the GCF could be carried out, though this would require more time and resources. They also suggested that the GCF could rule out the direct financing of fossil fuel projects, while striving to influence entities to dispose of tainted assets completely. They asked for clearer guidance from the Board on establishing a baseline from which to track such elements.

250. A couple of Board members suggested that AP could help to establish baselines from which to monitor AEs and decide on reaccreditation, drawing on the monitoring and accountability framework of the GCF. They noted that AP could play a role in helping to develop a methodology to improve over time.

### **Balance in entities accredited**

251. Several Board members expressed concern about the number of smaller direct access entities being accredited in comparison with large international financial institutions and private sector banks, which were also being accredited for larger project sizes. As noted earlier, a potential bias in the accreditation process in this regard was highlighted. Many Board members called for additional readiness work to be conducted in order to address this imbalance.

252. Other Board members felt these larger entities could support smaller ones and influence capital markets positively, and that at this early stage it was normal that they were better able to meet the accreditation conditions of the GCF. They noted that with the ramp-up of readiness support, and, as direct access entities gained more experience, they would enjoy a greater proportion of GCF funding. One Board member noted the usefulness of the self-assessment tool in encouraging more direct access entities to come forward.

253. A few Board members also stressed the need for geographical balance, in particular focusing on accrediting more direct access entities from the LDCs and SIDS. Noting that no entities were from SIDS in the batch proposed for approval, and that only one came from Latin America and the Caribbean, they suggested prioritizing speeding up their involvement with the work of the GCF, through targeted readiness and special outreach work to identify potential AEs in these areas.

254. One Board member picked up on the suggestion by the chair of AP that adjusting the first come, first served approach could help to address these imbalances.

255. Another Board member proposed that the GCF explore the possibility of a wholesale approach to direct access entities; the GCF could identify and authorize a credible agency in a recipient country to accredit direct access entities on its behalf, with AP playing a supervisory role in the process.

256. The CSO active observer also highlighted that if this batch of entities was to be approved, the vast majority of GCF resources would continue to flow to well-resourced, well-established international entities, in particular MDBs. They noted that rapidly scaling up readiness and preparatory support was required.

257. The PSO active observer welcomed the unique work of the GCF with the private sector, noting that the two commercial banks under discussion had the capacity to work across and benefit several regions and markets, and that international entities could help local banks with capacity-building. Furthermore, they acknowledged the need for more applications from regional or national financial institutions from the private sector, including cooperatives and microfinance, noting that NDAs and direct outreach in countries could help in this regard.

258. Taking note of all the comments from the first round of discussions, the Co-Chairs adjourned the agenda item in order to amend the draft decision text.

## Second round of discussions

259. The Co-Chairs reopened the agenda item and put a revised draft decision to the Board.

### Fast-tracking

260. A representative of the Secretariat informed the Board that the Adaptation Fund had accredited two new entities since the publication of document GCF/B.12/07; the Caribbean Development Bank and MOFEC. They recommended revising the document to note that these two entities were therefore eligible for fast-tracking.

261. On the topic of fast-tracking, a Board member asked whether entities accredited using fast-tracking with Global Environment Facility (GEF) accreditation were also subject to the conditions as set out by the GEF in their accreditation.

### Timeline for the accreditation process

262. The chair of AP stated that there should perhaps be a minimum time before an entity could upgrade to a larger project size categorization in order to avoid continuously reassessing AE categorizations rather than new applicants.

263. This was contested by a Board member, believing that this would constitute another condition on top of those approved by the Board, and that entities should be eligible for upgrade as soon as they could demonstrate that they met the appropriate requirements.

264. The chair of AP retracted their comment.

## Discussion of the accreditation of HSBC

265. The Board members moved on to a discussion of the accreditation of HSBC.
266. One Board member recorded their objection to the accreditation of this entity, but noted that if the consensus within the Board was to accredit HSBC, they would not stand in the way of a decision.
267. Two Board members submitted suggested additional language for the draft decision and annex XVII to document GCF/B.12/07. This language asked for the same conditions applied to Deutsche Bank under decision B.10/06 to be applied to HSBC, called for a comfort letter to be provided by HSBC, asked for AP to continue its review of HSBC with regards to new information arising which would lead to it changing its recommendation, and called for a baseline on the overall portfolio of AEs to be established by AP.
268. While one Board member felt that the changes encapsulated the prior Board discussions, another felt that these additions were too prescriptive, and that it was unfair to tighten the rule book for new applicants in comparison to already accredited entities. This was contested by a third Board member, who stressed that as a learning institution the GCF had to learn from shortcomings in the past and improve its processes and requirements.
269. The Board member who raised the issue of fairness suggested applying these new conditions retroactively to already accredited entities so as to ensure the same level of rigour and scrutiny for all.
270. The Board members proposing the changes stressed that this language was trying to address a specific gap clearly highlighted by AP and the Board for one entity and its set of circumstances.

## Conclusion of the item

271. Following a call for a constituency meeting by a Board member, the item was briefly adjourned.
272. Once the Co-Chairs reopened the item, they proposed specifying in the draft decision that the process outlined for HSBC would apply only in this case, without prejudice to further decisions.
273. Responding to a comment by a Board member that they would like further language on prioritizing direct access applicants from developing countries, the Co-Chairs noted that this would be addressed under agenda item 11, "Strategy on accreditation".
274. The Board adopted the following decision:

### *DECISION B.12/30*

*The Board, having considered document GCF/B.12/07 titled "Consideration of accreditation proposals",*

- (a) *Takes note with appreciation of the in-depth assessment conducted by the Accreditation Panel contained within the relevant annexes for the following applicants:*
- (i) *Applicant 021 (APL021) is the Agency for Agricultural Development of Morocco (ADA) based in Morocco, as contained in annex XI;*
  - (ii) *Applicant 022 (APL022) is the Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC) based in Ethiopia, as contained in annex XII;*

- (iii) *Applicant 023 (APL023) is the National Environment Management Authority of Kenya (NEMA) based in Kenya, as contained in annex XIII;*
- (iv) *Applicant 024 (APL024) is the Development Bank of Southern Africa (DBSA) based in South Africa, as contained in annex XIV;*
- (v) *Applicant 025 (APL025) is the Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB) headquartered in France, as contained in annex XV;*
- (vi) *Applicant 026 (APL026) is the HSBC Holdings plc and its subsidiaries (HSBC) headquartered in the United Kingdom of Great Britain and Northern Ireland, as contained in annex XVI;*
- (vii) *Applicant 027 (APL027) is the African Development Bank (AfDB) headquartered in Côte d'Ivoire, as contained in annex XVII;*
- (viii) *Applicant 028 (APL028) is the European Investment Bank (EIB) headquartered in Luxembourg, as contained in annex XVIII;*
- (ix) *Applicant 029 (APL029) is the International Finance Corporation (IFC) headquartered in the United States of America, as contained in annex XIX;*
- (x) *Applicant 030 (APL030) is the Unidad Para el Cambio Rural (Unit for Rural Change, UCAR) based in Argentina, as contained in annex XX;*
- (xi) *Applicant 031 (APL031) is the International Union for Conservation of Nature (IUCN) headquartered in Switzerland, as contained in annex XXI;*
- (xii) *Applicant 032 (APL032) is the World Food Programme (WFP) headquartered in Italy, as contained in annex XXII; and*
- (xiii) *Applicant 033 (APL033) is the World Meteorological Organization (WMO) headquartered in Switzerland, as contained in annex XXIII;*
- (b) *Accredits APL021, APL022, APL023, APL024, APL025, APL026, APL027, APL028, APL029, APL030, APL031, APL032 and APL033 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessment by the Accreditation Panel contained in the relevant annexes for each of the applicant entities. A summary of the recommended accreditation type and conditions and remarks, if any, for each applicant is contained in annex XXIV;*
- (c) *Recalling decision B.10/06, paragraph (j), and decision B.11/10, annex I, paragraph 35, the Board underlines its expectation that accredited entities will 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, which includes shifting their overall portfolios in line with this direction;*
- (d) *Requests the Accreditation Panel, with the support of the Secretariat as necessary, to establish a baseline on the overall portfolio of accredited entities, including those already accredited at an earlier stage, that allows for an assessment of the extent to which the accredited entities' overall portfolios of activities, beyond those funded by the GCF, have evolved in this direction during the accreditation period;*
- (e) *Notes that the Accreditation Panel has recommended the accreditation of applicant 26 and further notes that in its review the Accreditation Panel identified a potential information gap associated with the implementation of its Global Standards programme, which overviews the applicant's progress in implementing stronger anti-money laundering and sanctions compliance mechanisms (Global Standards);*
- (f) *Requests that the Accreditation Panel review prior to the fourteenth and sixteenth meetings of the Board, the applicant's progress in implementing its Global Standard,*

*including a review of material external information. Further requests that the Accreditation Panel report to the Board on whether the results of these reviews would alter its recommendation to accredit the applicant;*

- (g) Approves the accreditation of applicant 26 subject to the condition that the Board has the ability to temporarily or permanently suspend the applicant's accreditation based on the recommendation of the Accreditation Panel following its reviews;*
- (h) Takes note that the process outlined for applicant 026 applies only in this case, without prejudice to further decisions;*
- (i) Takes note that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in annex XXV; and*
- (j) Decides that those entities referred to in annex XXV are also eligible to apply under the fast-track accreditation process for the standards of the GCF in accordance with decision B.08/03, paragraph (f), for entities accredited by the Adaptation Fund, and decision B.08/03, paragraph (g), for entities under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO).*

## **Agenda item 18: Legal and formal arrangements with Accredited Entities**

### **Agenda item 18(a): Accreditation Master Agreements**

### **Agenda item 18(b): Readiness Grant Agreement**

- 275. The Co-Chairs stated that this item would be considered in closed executive session.
- 276. The Board took note of document GCF/B.12/23 (limited distribution) titled "Template Accreditation master agreement".
- 277. The Board adopted the following decision:

#### *DECISION B.12/31*

*The Board, having reviewed document GCF/B.12/23 titled "Template Accreditation Master Agreement":*

- (a) Takes note of the information provided by the Secretariat in document GCF/B.12/23 and of the progress made to date by the GCF in engaging with accredited entities on the execution of Accreditation Master Agreements;*
- (b) Considers the template Accreditation Master Agreement as set out in annex XXVI adequate for completing stage III of the accreditation process;*
- (c) Acknowledges that substantive changes from the template Accreditation Master Agreement may be necessary on a case-by-case basis as a consequence of negotiations with accredited entities, which will each have unique circumstances and requirements that may need to be taken into account. The Accreditation Master Agreement template should be considered flexible enough to ensure executed Accreditation Master Agreements are fit for purpose;*
- (d) Requests the Executive Director to regard the template Accreditation Master Agreement as the basis for negotiations with accredited entities. The Executive Director will determine,*

- in consultation with the risk and legal teams, and the Risk Management Committee, whether or not a change is considered substantive on a case-by-case basis, and would require Board approval;*
- (e) Decides to approve the policy guidance, to be deemed substantive under paragraph (d) above in respect of Accreditation Master Agreements as set out in annex XXVII;*
  - (f) Requests the Executive Director, as a matter of urgency, to prioritize the execution of Accreditation Master Agreements with those entities accredited by the Board, and to remain in regular communication with the Co-Chairs between formal meetings on progress made to that end;*
  - (g) Affirms the importance and urgency for the Fund to have adequate policies addressing fraud, corruption and other prohibited practices and policies addressing anti-money laundering and countering the financing of terrorism;*
  - (h) Decides to adopt the General Principles on Prohibited Practices, as presented in Exhibit A of the template Accreditation Master Agreement, as the Fund's interim policy on prohibited practices to be observed by accredited entities, and readiness partners;*
  - (i) Requests the Risk Management Committee, with the support of the Secretariat, to further develop the Fund's Policies on prohibited practices for consideration by the Board at its fourteenth meeting;*
  - (j) Also requests the Risk Management Committee, with support of the Secretariat, to develop processes and tools to implement the Fund's interim policy, taking into account staffing and resources; and*
  - (k) Notes that the Secretariat has been mandated to pursue, as a matter of urgency, entering into bilateral agreements with countries in which the Fund operates on privileges and immunities reflecting prudent international practice, consistent with decision B.08/24 and the guidance of the Conference of the Parties in United Nations Framework Convention on Climate Change decision 7/CP.20, paragraph 21.*

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

### **Agenda item 19(a): Readiness and Preparatory Support**

278. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.12/Inf.06 titled "Progress and outlook report of the Readiness and Preparatory Support Programme", as well as document GCF/B.12/11 titled "Progress and outlook report of the Readiness and Preparatory Support Programme: proposal from the Co-Chairs".

279. A representative of the Secretariat, upon invitation from the Co-Chairs, introduced the item. They outlined the progress the Secretariat had made on the readiness programme in different activity areas, noting that the Secretariat had a network of NDAs and FPs from 139 countries and approved readiness proposals from 45 countries with a balanced distribution across the regions.

280. Regarding activity areas 1 (NDA strengthening) and 2 (development of strategic framework), they also explained that 17 countries were accessing readiness funding directly, without support from delivery partners and that the Secretariat had provided initial disbursement for 4 countries. They further elaborated on the expected outcome of readiness support on activity areas 1 and 2, which included the development of country programmes, stakeholder engagement and the establishment of a no-objection procedure.

281. In addition, they also presented the efforts of the Secretariat in providing readiness support for accreditation (activity area 3), assessing the institutional capacity of 15 entities nominated by 12 countries to meet the accreditation standards of the GCF, along with the provision of in-kind support to 51 entities to guide them through the accreditation process.

282. They also provided an update on progress for pipeline development support (activity area 4), which included two readiness proposals submitted by Vanuatu with the Secretariat of the Pacific Regional Environment Programme (SPREP) and Senegal with the International Finance Corporation (IFC).

283. Finally, they shared the challenges of communicating with NDAs/FPs and AEs in a timely and effective manner. They added that the Secretariat was planning to create a space for more structured interaction among stakeholders in this regard. They also shared countries' difficulties in coping with the current disbursement process and legal requirements. In response to this, the Secretariat was exploring options to make advance payments to countries for readiness and preparatory support.

## First round of discussions

### General observations

284. The Co-Chairs took the opportunity to thank the governments of the Republic of Korea and Germany for their early provision of financing to the GCF for readiness support.

285. Many Board members thanked and commended the Secretariat for the work being conducted; noting that this was bearing fruit and urging further development and acceleration of readiness and preparatory support, a priority area.

286. Several Board members were encouraged by the disbursements already made, as well as requests made and interest shown, in particular by SIDS, the LDCs and African States. One Board member encouraged the Secretariat to provide more concrete proposals at the next meeting of the Board on how to facilitate disbursements further.

287. Board members requested that the presentation given at the meeting be circulated to the Board, adding that this should be usual practice for all presentations given at meetings of the Board.

### Communications and outreach

288. A large number of Board members touched upon the importance of communications and outreach for readiness and preparatory support.

289. One Board member welcomed the fact that a coordination group had been established for liaising with other interested delivery partners, which was essential given the large number of actors involved in readiness, but asked for more information on potential synergies with the GEF and the Climate Investment Funds. Another went further in asking how dialogue on readiness between entities such as NDAs and national implementing entities would be structured.

290. Several Board members suggested holding more regional and sub-regional workshops in order to improve knowledge-sharing, capacity-building and communication between the GCF, NDAs, AEs and other stakeholders.

291. A number of Board members suggested employing full-time regional experts or establishing regional hubs to provide enhanced readiness and preparatory support, in particular for direct access entities and NDAs. One Board member suggested a phased approach,

perhaps beginning with a pilot approach with a view to scaling up; SIDS in the Caribbean or Pacific were specifically mentioned as priority areas in this regard by a couple of Board members. It was noted that this would also increase the general profile of the GCF regionally, ensure that the GCF had expertise on specific regions and challenges on the ground, and alleviate the burden on staff at GCF headquarters.

### Private sector

292. The PSO active observer emphasized the need for technical support and capacity-building for micro-, small- and medium-sized entities in the private sector as well as local financial institutions – especially in the proposal development stage and in supporting a sustainable market for the goods and services of micro-, small- and medium-sized entities. They highlighted the recommendations of the PSAG, which strongly encouraged the engagement of private sector actors in national readiness processes, including that:

- (a) NDAs have adequate capacity to engage with private sector actors;
- (b) Private sector actors are included in stakeholder consultation of broad national climate plans and specific strategic frameworks;
- (c) Private sector is engaged in generating concepts included in the initial pipeline of proposals to the GCF; and
- (d) Explore the possibility of broader private sector engagement, such as regional workshops, to build relationships and exchange information between NDAs, and other relevant public entities, and the private sector which is active in particular countries.

### Civil society

293. One Board member welcomed efforts to include local CSOs and encouraged the Secretariat to pursue that work.

294. The CSO active observer requested that the Co-Chairs also include observers and country stakeholders in consultations on improving the readiness programme. They encouraged further efforts to make information about the readiness programme available so that country stakeholders and communities could help to hold the GCF and readiness recipients accountable for the support provided, including through appropriate indicators in the new results management framework (RMF) for readiness. On international AEs that may also be simultaneously applying for project/programme funding from the GCF, they stated that it was important for the GCF to encourage these entities to invest in supporting country ownership and capacity development of domestic institutions – in line with decision B.08/11.

### Prioritization of readiness and preparatory support requests

295. A few Board members were encouraged by the proportion of support going to the LDCs, SIDS and African States, while asking for applications from the most vulnerable countries to be given further priority. One Board member requested more information on the parameters used to approve requests, including possible cost ceilings per country or a focus on low-income countries.

### Readiness grant agreements

296. Two Board members asked that the draft decision request the Secretariat to consider alternative arrangements to readiness grant agreements, including those outlined in annex VI to

document GCF/B.12/Inf.06, and consider lessons learned from direct access entities on this topic.

297. Several Board members highlighted that there were still issues with obtaining privileges and immunities (P&I) in many countries, and supported providing readiness support ahead of arranging P&I, which could be a lengthy process. One Board member stressed that procedures could take longer, in particular when dealing with international organizations, due to P&I issues, and asked how countries would be assisted in overcoming these barriers in order to promote direct access.

298. The Co-Chairs thought that by and large the P&I issue related to the readiness grant agreement issue and stated that they would address it in the draft decision.

### **Other comments**

299. A few Board members drew attention to the Project Preparation Facility proposal received from MINIRENA, wondering how the facility would dovetail with the readiness and preparatory support programme.

300. One Board member suggested referring to readiness activity area 3 in relation to paragraph (i) of the draft decision on support for direct access entities.

301. Another Board member suggested clarifying in the draft decision that some countries had delivery partners which are not accredited entities.

302. The Co-Chairs suggested revising the draft decision text to take into account the comments made and adjourned the agenda item.

### **Second round of discussions**

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

### **Readiness grant agreements**

304. There was general consensus among Board members on the revised draft decision apart from paragraph (b) on readiness grant agreements.

305. One Board member questioned what constituted a lengthy domestic process, who would decide this and on what basis?

306. Several Board members asked for clarification on what this lengthy process referred to, and if advance payments would be made before the signing of the readiness grant agreement. The Co-Chairs clarified that this lengthy process referred to the process of giving effect to a readiness grant agreement in domestic law after it had been signed with the GCF, and that the provision in paragraph (b) of the draft decision would allow advance readiness payments to be made during this time in certain cases, while the country undertook measures to complete the process.

307. Two Board members stressed that any advance payments should only concern a portion of payments rather than payments in full.

308. A Board member wondered whether the initial readiness grant agreement signed would be null and void if these procedures to give full effect to the agreement failed. This was echoed by another Board member, who also wondered what terms would apply to the use of resource disbursed under an advance payment mechanism.

309. A Board member worried that since a proposal on how to improve readiness grant agreements would be submitted to the Board at B.13, the provision set out in paragraph (b) of the draft decision might run counter to that agreed at B.13.
310. Upon invitation of the Co-Chairs, a representative of the Secretariat sought to explain some of these issues. They noted that this provision was an attempt to start readiness activities, while finding a simpler way to finalize readiness agreements once they had been signed. They stated that one way to achieve this could be by defining a limited scope of activity and payment amount, such as a maximum of USD 50,000 for advance payments for a certain activity, with a simplified legal arrangement, to ensure there would be no contradiction if further arrangements were agreed upon in the future.
311. Several Board members expressed sympathy with the proposal, while being mindful of the potential risks and urging caution on the wording in the decision text.
312. One Board member sought clarification on readiness funds delivered through international organizations, and why the GCF needed a readiness agreement with NDAs in this case, stating that this should be the concern of the delivery partner instead. The representative of the Secretariat responded that they were working on a tripartite agreement in which the GCF, the international delivery partner and the country would sign an agreement, with the main stumbling block being an indemnity clause asking for the international organization to indemnify the GCF against litigation by a third party for activities undertaken by that organization. Pending the resolution of this obstacle, the provision being proposed would allow readiness work to begin. The Board member stated that they were not convinced that it was easier to sign a grant agreement with the recipient rather than reaching an arrangement with AE, and asked for the Secretariat to look into this further.
313. One Board member suggested including the cap of USD 50,000 on advance payments suggested by the Secretariat in the decision text, and for the Secretariat to identify obstacles to concluding readiness grant agreements in the document to be brought to the Board at B.13.
314. One Board member suggested making use of a tool such as Google Docs during future meetings of the Board to facilitate the revision of Board documents in real time.
315. The Board took note of the information provided in document GCF/B.12/Inf.06 and adopted decision B.12/32 as amended during the above discussions.

### **Agenda item 19 (b): Country Programming Guidelines**

316. This sub-item was not considered.

#### *DECISION B.12/32*

*The Board, having reviewed document GCF/B.12/Inf.06 titled "Progress and outlook report of the Readiness and Preparatory Support Programme:*

- (a) *Requests the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting, which identifies alternative arrangements to readiness grant agreements aimed at disbursing readiness grants, including those outlined in annex VI to document GCF/B.12/Inf.06, and also identifies obstacles faced by countries;*
- (b) *Requests the Secretariat to provide advance payments up to a limit of USD 50,000 to countries or their delivery partners that have signed readiness grant agreements where, in the judgement of the Secretariat, lengthy domestic processes are required to conclude the agreement, until a decision is taken regarding paragraph (a) above;*

- (c) *Decides to defer its consideration of the review of the resource allocation of the readiness programme until its thirteenth meeting, in accordance with decision B.11/04, paragraph (h), and decision B.08/11, paragraph (h);*
- (d) *Requests the Co-Chairs to undertake consultations with the Board, national designated authorities, focal points, accredited entities and delivery partners to present a recommendation based on paragraph (c) above, for consideration by the Board at its thirteenth meeting;*
- (e) *Decides to defer the consideration of the improvement and simplification of the process to access the readiness programme, as mandated in decision B.11/04, to its thirteenth meeting;*
- (f) *Requests the Co-Chairs to undertake consultations with the Board, national designated authorities, focal points, accredited entities and delivery partners, and to present a recommendation on paragraph (e) above for consideration by the Board at its thirteenth meeting;*
- (g) *Decides to amend decision B.08/11, annex XVIII, section 1.1, paragraph (a), by replacing the words "two-year period" with "one-year period"; decision B.08/11, annex XVIII, section 1.1, paragraph (d)(i), first bullet point by replacing the words "two-year" with "one-year", and decision B.08/11, annex XVIII, section 1.2, (a) (iv) by replacing limitations (i) and (ii) with "an annual cap of USD 100,000 for stakeholder meetings";*
- (h) *Requests the Secretariat to present, for consideration by the Board at its thirteenth meeting, a proposal on the activities to be covered by the Readiness and Preparatory Support Programme in relation to support for accredited direct access entities. The proposal may include building their capacities in areas related to adaptation, mitigation, environmental and social safeguards, gender, and monitoring and evaluation. The proposal should take into account lessons learned about the accreditation process from the experiences of direct access entities;*
- (i) *Also requests the Secretariat, in consultation with the Co-Chairs, to present the Country ownership guidelines as referred to in decision B.10/10, paragraph (d), for consideration by the Board at its thirteenth meeting; and*
- (j) *Also requests the Secretariat, in its progress report to the Board, to include updates on the regional workshops to be organized, on the development of regional hubs, on strengthening expertise in regions to support countries, and an overview of activities being undertaken by readiness partners.*

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

317. The Co-Chairs introduced the agenda item and drew the attention of the Board to document GCF/B.12/13 titled "Further development of indicators in the performance measurement frameworks". They proposed to defer consideration of the item to the thirteenth meeting of the Board, amending the draft decision put to the Board to this effect. The Co-Chairs opened the floor to hear the views of the Board on this proposal.

318. Several Board members agreed with the proposal of the Co-Chairs, raising the issue that this technical document had been circulated to the Board at a late stage, and requesting that documents be circulated further in advance of meetings of the Board in the future.

319. The inclusion of an additional sentence in the draft decision requesting the Board to provide comments to the Co-Chairs in writing within four weeks of the end of the twelfth meeting of the Board was sought by a Board member. Building on this, another Board member

suggested organizing more technical consultation prior to the next Board meeting so as to facilitate more interactive discussion on all aspects of the document; not only on indicators but also on evaluation policies.

320. Agreeing with the two previous interventions, a Board member stressed the importance of this framework in measuring performance, highlighting that several indicators had already been approved at the eighth meeting of the Board, and that the paper needed to be developed further as a matter of urgency.

321. A Board member noted that the document should set out the extent of the role of the independent Evaluation Unit in reviewing these indicators.

322. Following these comments, the Co-Chairs invited the submission of inputs from Board members and alternate Board members, as well as active observers, and requested that the Secretariat facilitate a technical consultation on document GCF/B.12/13 prior to the thirteenth meeting of the Board, beginning in the margins of the twelfth meeting of the Board in order to draw on the expertise present.

323. The Board adopted the following decision:

#### *DECISION B.12/33*

*The Board, having considered document GCF/B.12/13 titled "Further development of indicators in the performance measurement frameworks",*

- (a) Decides to defer consideration of further development of indicators in the performance measurement frameworks as contained in document GCF/B.12/13 to the thirteenth meeting of the Board;*
- (b) Invites submissions from Board members and alternate Board members, as well as active observers, on document GCF/B.12/13 no later than 10 April 2016; and*
- (c) Requests the Secretariat to facilitate a technical consultation on document GCF/B.12/13 prior to the consideration by the Board of this matter at its thirteenth meeting.*

## **Agenda item 21: Initial risk appetite of the Fund**

324. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/17 titled "Initial risk management framework: risk register, risk appetite update and initial risk guidelines for credit and investment". They noted that lengthy discussions on the matter had taken place during the informal session held immediately prior to the twelfth meeting of the Board on Monday, 7 March 2016.

### **First round of discussions**

325. Upon invitation of the Co-Chairs, a representative of the Secretariat introduced the above-mentioned document, stressing that a decision on the risk register was needed as decision B.07/05 indicated that this needed to be operational before the GCF began disbursements for project proposals. They noted that the risk appetite methodology would be considered at a later date along with risk scenarios and targets, but that the draft risk register, and initial risk guidelines for credit and investment were being presented so the Board for adoption and for the Secretariat to receive guidance.

326. The Co-Chairs proposed mandating RMC to review the proposed decision in the context of comments made by Board members in the informal session and during consultations, and present a revised draft decision later in the meeting.

327. The chair of RMC explained that they had held an informal session the previous evening, including recently-appointed member, Mr. Delgado Aranda, and Mr. Yingming Yang on an informal basis, pending his official appointment. They confirmed that they would consult further with Board members to update the draft decision on the item as well as document GCF/B.12/17.

328. On that basis, the Co-Chairs adjourned the agenda item.

### Second round of discussions

329. The Co-Chairs reopened the agenda item.

330. Upon invitation of the Co-Chairs, the chair of RMC, Mr. Jacob Waslander, presented a revised draft decision based on its formal session held the previous evening, noting that Mr. Yang had been confirmed as a member of RMC, but that the committee was still lacking one member. They stressed that the GCF did not have sufficient staff in place for risk management purposes and called for this shortfall to be made up.

331. They highlighted the need for the new draft decision, along with the risk register and initial risk guidelines on credit and investment to be adopted so the Secretariat and AEs would have guidance on risk-taking. They made clear that the GCF should be involved in taking risks that other funds or institutions were not willing to take. They suggested that the Board approve the draft decision with RMC reviewing probability and impact of risks in order to report back at the thirteenth meeting of the Board.

332. They highlighted considerable changes to annex V to document GCF/B.12/17, removing caps on the concentration of risk in countries or AEs and adding a reporting requirement from the Secretariat to the Board on the current and projected GCF risk portfolio and how that would change with the approval of proposed projects; this reporting would also include a status update on disbursement. RMC believed that assessment should be based on the nature of financial instruments rather than divided by private and public sectors.

333. The members of RMC agreed that they should go beyond with the rate of investment of other entities as that was the value-added of the GCF.

334. Upon invitation of the Co-Chairs, a representative of the Secretariat added that elements on ESS, Gender policy, allocations to SIDS, the LDCs and African States, and the involvement of local communities, indigenous peoples and civil society had been added to the risk register.

335. The CSO active observer raised a point of order on the procedure being followed for the current discussions, noting that observers had not been distributed the draft decision texts being discussed or been involved in the process. They called for this to be rectified.

336. Many Board members thanked RMC for its hard work and moved on to discussing substantive matters related to the drafts before them.

### Timelines

337. One Board member raised a couple of issues related to elements of timing in the draft decision, suggesting that the risk register be updated at every meeting rather than just once a year; and noting that while AEs were asked to provide annual updates, the Secretariat was preparing quarterly financial risk management updates, which seemed to suggest a disconnect.

338. The chair of RMC took note of these comments, noting that they could come back to the issue of the updating of the risk register at B.13. Regarding AE updates, they noted that AEs could provide these more often, and they would be reflected in Secretariat quarterly updates to the Board.

## Staffing

339. Some Board members referred to the need for more staff with risk management expertise, suggesting the addition of language in the draft decision to that effect. The chair of RMC supported this proposal, and wondered whether, on a temporary basis, staff from the offices of Board members could be made available.

## Differentiation of mitigation and adaptation

340. One Board member highlighted that there needed to be further differentiation in the guidelines between mitigation and adaptation, which had different risk profiles.

## Thresholds for the proportion of GCF financing provided

341. There was considerable discussion on the proposed initial risk guidelines for credit and investment, and in particular on thresholds for the proportion of GCF financing provided for projects and programmes.

342. Several Board members questioned the parameters set out for public sector projects, noting that for both grants and loans, it seemed that the GCF would only be providing a portion of the total project cost, forcing entities to find co-financing from other sources, which was not always feasible. One Board member stated that the precondition of co-financing for the public sector would have the greatest negative affect on the most vulnerable countries, and was not acceptable. A representative of the Secretariat explained that the rationale behind this was to generate more co-financing for projects and to reduce risk rather than to exclude anyone.

343. On the provision of grants for private sector projects, one Board member asked for clarification on whether the threshold of 45 per cent referred to providing 45 per cent of the total project cost in the form of grants, or rather 45 per cent of the total grant portion of the project, which made more sense to them. This was echoed by another Board member, who also wondered how the figure of 45 per cent had been reached. A representative of the Secretariat explained that this figure applied to the grant component of projects or programmes.

344. On loans, equities and guarantees, one Board member stated that GCF participation should be aligned on an equal footing with that of the AE in the same tranche on all terms and conditions other than pricing. This was supported by another Board member, who nevertheless noted that this would be difficult to achieve with current staffing, and suggested leaving the draft decision text as it was for now and amending it at a later date.

## Incremental/full cost financing

345. A representative of the Secretariat explained at the start of the round of discussions that, according to Article 4, paragraph 3, of the Convention, developing country Parties were to be provided financial resources to meet the agreed full costs incurred in complying with their obligations under Article 12, paragraph 1 of the Convention and the agreed full incremental costs of implementing measures that are covered by Article 4, paragraph 1. Thus, grant financing for public sector projects, up to 100 per cent of incremental costs could be provided and up to 100 per cent of the full costs of reporting requirements as set out under Article 12, paragraph 1, of the UNFCCC.

346. Several Board members asked for clarification on this point, with a few questioning the relevance of UNFCCC reporting in this context. A number of Board members also expressed confusion on this issue, noting that the Governing Instrument and UNFCCC decisions seemed to differ in the language used with regards to covering full or incremental costs. One Board

member noted that rather than Article 12, paragraph 1, of the UNFCCC, Article 4, paragraph 3, was more relevant regarding the cost of reporting obligations.

347. The CSO active observer expressed concerns re Annex V, table B, which they said implied that GCF could not provide more than 80% of full cost financing for any grant activities. They drew attention to paragraph 35 of the Governing Instrument, which they stated explicitly provided for full cost financing. A Board member concurred that the principles as set out in the Governing Instrument should be adhered to. Several Board members stated that they believed the GCF should be in a position to approve full cost financing for grants to the public sector, rather than 100 per cent of incremental costs.

348. A representative of the Secretariat concurred that the reference to Article 4, paragraph 3, of the UNFCCC was the most relevant as a basis, and acknowledged that sometimes the language in UNFCCC decisions evolved over time; and that the Board was to be guided by the UNFCCC, the Governing Instrument and UNFCCC decisions, such as the recent Paris Agreement.

349. The Co-Chairs called on RMC, with the support of the Secretariat, to work further on the draft decision and again adjourned the item.

### Third round of discussions

350. The Co-Chairs reopened the agenda item and stressed the need for a risk register and Interim risk and investment guidelines, calling on Board members to leave the issue of the level of concessionality to one side as that was a separate item. They invited the chair of RMC to go through the additional changes made.

351. The chair of RMC presented the changes, namely:

- (a) A note that any changes in the priorities of the risk register would be reported to the Board;
- (b) A call for staff with risk management expertise to be recruited as a matter of urgency;
- (c) A note that the Board could make exceptions to guidelines in special circumstances, such as deviating from proposed thresholds and parameters;
- (d) A clarification that for public sector grants the GCF could finance up to 100 per cent agreed full and agreed incremental costs as per the Governing Instrument; and
- (e) An explanation that co-financing should be the norm for public sector loans, guarantees and equity, but only when feasible.

### Differentiation of adaptation and mitigation

352. Two Board members noted that the call to differentiate risk for adaptation and mitigation had not been heeded, and repeated this request.

### Thresholds for the proportion of GCF financing provided

353. A Board member also said that the changes made did not resolve their concern that there should be no precondition of co-financing for the public sector. Both they and another Board member stated that the most vulnerable countries, including the LDCs, SIDS and African States, should be exempt from this. They noted that the requirement of co-financing meant that the GCF was taking on less risk, contrary to its supposed value-added approach of taking on risk that others would not.

354. Several Board members stated that they were not comfortable with a change that would exclude the possibility of co-financing for vulnerable countries, stating that this would be doing a disservice to the GCF.

355. A Board member noted that the draft guidelines mentioned that co-financing would occur “whenever feasible”, which allowed for 100 per cent full grant cost financing when not feasible.

356. Another Board member stressed that the policy under consideration addressed financial risk to the GCF, rather than co-financing which was a different policy matter.

357. A few Board members also highlighted an issue with the provision that private sector projects would need to involve other grant providers apart from the GCF in order to work, as this was not always feasible and would discourage private sector investment.

358. On loans, equities and guarantees, there was a call by a couple of Board members for the GCF to share risk with AEs in the same tranche; they remarked that as the GCF became fully-fledged in its risk-taking capacity, this could change.

359. A Board member responded that 5 per cent was too low, and 10 per cent would be a more appropriate figure; the Co-Chairs referred to the provision that exceptions may be made under exceptional circumstances.

360. A Board member asked what percentage of the total project cost for the Acumen project approved by the Board in decision B.11/11 was provided in the form of grants, as that would be a useful benchmark. The Executive Director noted that the grant was USD 5 million for a total project cost of USD 110 million.

361. To try to resolve the issues, the Co-Chairs suggested deleting the reference to the public sector in the section on grants within the guidelines, and returning to the previous wording on the private sector for grants, or alternatively considering grants for the private sector on a case-by-case basis of up to 5 per cent of total project cost. They highlighted the fact that this was an interim policy.

362. The chair of RMC noted that the suggestion of the Co-Chairs to delete the section on public sector grants had also been considered by RMC in the event that consensus could not be reached. While noting the objection of some Board members to such a deletion, which would leave a significant policy gap, they suggested the deletion at this stage of the discussions, which were not reaching consensus. This would leave the section on loans, equity and guarantees for the private sector, which they thought would be very desirable for the Secretariat in terms of considering future projects.

## Conclusion

363. The Co-Chairs repeated this proposal to the Board. One Board member stated that they were not comfortable with the suggestion, and called for more time to look into the issues and consider this item at the thirteenth meeting of the Board.

364. A Board member asked for clarification from the Secretariat on which items were essential to have in place immediately. A representative of the Secretariat replied that a decision on the risk register was essential, with the risk guidelines highly desirable.

365. A Board member therefore suggested approving the risk register at the present time and coming back to the guidelines at the next meeting.

366. Another Board member urged their colleagues to adopt the interim guidelines at the present meeting in order to deliver on the targets of the GCF, wondering when the next replenishment process would come at the current rate of disbursement. The Secretariat

proposed to change the grant for the private sector from 45% of the grant component to a maximum of 5% of the project cost.

367. One Board member recognized the importance of the item, but stated that more balance was required in the guidelines to ensure that the GCF remained faithful to its Governing Instrument and the Paris Agreement, noting that a one-size-fits-all approach was not adequate.

368. Another Board member noted that they could agree to the risk register but not the other matters, and regretted the comment regarding replenishment by another Board member, stressing that the GCF was not intended to serve the purposes of the private sector but to meet the objectives of the UNFCCC.

369. The Co-Chairs called for professionalism in the Board. Given the lack of consensus on other matters, they proposed adopting only the risk register, with amendments to the draft decision taking into account the differentiation of risks between mitigation and adaptation, and requesting that the Secretariat and RMC continue to work on the risk guidelines for further consideration by the Board at its thirteenth meeting.

370. The Board duly adopted the following decision:

#### *DECISION B.12/34*

*The Board, having reviewed document GCF/B.12/17 "Initial risk management framework: risk register, risk appetite update and Initial risk guidelines for credit and investment":*

- (a) Adopts the risk register as contained in annex XXVIII and requests the Risk Management Committee to review probability, impact and resulting priorities prior to the thirteenth meeting of the Board. The risk register will be updated at least once a year;*
- (b) Takes note of the development of the other elements of the risk management framework;*
- (c) Also takes note of the progress in developing the risk appetite of the GCF;*
- (d) Reiterates that the GCF is an institution promoting the paradigm shift, in the context of sustainable development, towards low-emission and climate-resilient development pathways, and acknowledges that this involves taking risks that other institutions/funds may not be able or willing to take;*
- (e) Requests the Secretariat, in consultation with the Risk Management Committee, to present the Interim risk and investment guidelines at the thirteenth meeting of the Board with revised financial instrument parameters;*
- (f) Decides that the Interim risk and investment guidelines will expire the earlier of (i) the fifteenth meeting of the Board, or (ii) at the adoption of an updated set of risk policies and guidelines;*
- (g) Requests the Risk Management Committee, with support from the Secretariat, to prepare and present to the Board for its consideration, no later than the fifteenth meeting of the Board, an updated set of risk policies and guidelines that include internal risk ratings methodologies, which should consider a differentiation of risks between adaptation and mitigation;*
- (h) Further request the Secretariat to monitor and report to the Board at each Board meeting:
  - (i) The amount of GCF funding approved;*
  - (ii) The amount of GCF funding approved plus the submitted amount for approval at the specific Board meeting;*
  - (iii) The accumulated fund disbursed by each accredited entity, country and result area, and**

- (iv) *Any changes in priorities of the risk register; and*
- (i) *Takes note that the Secretariat will produce risk manuals for the GCF financial instruments, asset and liability management, liquidity, and market risk before the end of 2016;*
- (j) *Recognizes that while the GCF monitoring and accountability framework for accredited entities as set out in annex I to decision B.11/10 requires accredited entities to provide annual performance reports, including financial management reports, to the GCF, the GCF is required to prepare financial risk management summaries on a quarterly basis pursuant to annex II to decision B.07/05. Accordingly, such summaries may only reflect the risk categories applicable to the performance and projects of accredited entities on an annual basis; and*
- (k) *Requests the Secretariat to recruit, as a matter of urgency, staff with risk management expertise.*

## **Agenda item 22: Comprehensive Information Disclosure Policy of the Fund**

371. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/24 titled “Comprehensive information disclosure policy of the Fund”. They thanked the Ethics and Audit Committee for its work and consultation, and invited its chair to introduce the item.

372. The acting chair of the EAC, Mr. Martinez-Diaz, explained that following a number of conference calls and in-person meetings, the EAC had developed the draft policy put before the Board for approval, based on the principle that the GCF should release more rather than less information to ensure that transparency would be its default standard, subject to certain exemptions, such as for personal, commercial or deliberative information. They noted that a provision for overrides had been included, when the GCF may wish to keep back or publish information; an appeals mechanism would be in place in the event anyone believed that the policy had been violated. They highlighted one issue which did not enjoy consensus – the live webcasting of Board meetings – with the argument on the one hand that it improved transparency, and on the other that it would make the work of the Board more difficult.

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

374. The CSO active observer took the floor first to set out their views on this draft policy. They acknowledged that many of the points that civil society had submitted had been addressed in the draft policy, while noting that a number of issues still needed to be improved. They called for project and programme proposals to be made available when submitted to the TAP to allow public input. They noted that the disclosure of subproject information was not covered by the policy, indicating that AEs should be required to make subproject assessments publicly available before taking the decision to go forward with these. They also called for applications for accreditation to be made public when filed. They strongly supported the release of environmental, social and gender assessments for high-risk category projects and subprojects 120 days before consideration by the Board or AE. They called for structured consultations recognizing the rights of third-party stakeholders. They asked for clarification on when information would be proactively disclosed, and when it would be upon request, noting that there should be a clear commitment to prioritizing proactive release. Finally, for information available on request, they asked for the time limit for processing requests to be reduced to 20 days, information to be made available in local languages, in particular for affected communities, and fees to be reasonable and waived in the event of hardship.

375. On proactive versus on-request disclosure, the acting chair of the EAC pointed to sub-section X in Annex II of document GCF/B.12/24, which set out the criteria in this regard.
376. Many Board members commended the overall quality of the document, stating that it struck a good balance on a sensitive topic, subject to pressure from both sides, to promote transparency while protecting confidentiality.
377. One Board member called for decisions of the Independent Appeals Panel to be published, and for the GCF to announce if any investigations into alleged fraud or other such issues were initiated.
378. Regarding the recommendations of the Independent Appeals Panel on the disclosure of information, one Board member asked who took the final decision as to whether to approve this recommendation. The General Counsel replied that depending on the circumstances, the Board, Heads of Accountability Units or the Executive Director would provide their approval.
379. Another Board member supported the idea that AEs should disclose project and subproject information.
380. A member of the EAC recorded their appreciation of the leadership and patience of the chair of the EAC and the hard work of their fellow committee members.
381. One Board member wondered whether the Secretariat had considered aspiring to meet the standards and best practice of the International Aid Transparency Initiative.
382. A Board member raised a point of order, asking for clarification on whether Board members and alternate Board members could speak on the same agenda item. The Co-Chairs referred to paragraph 10 of the Governing Instrument, explaining that an alternate Board member could take the floor if the Board member was outside the room; given that there was no limit on the number of times that Board members/alternate Board members could speak, if the Board member returned to the room, they could take the floor thereafter.

## Webcasting

383. The Board deliberated at length on the issue of webcasting. Most Board members spoke in favour of webcasting Board meetings in the future, citing a wide range of reasons. These included:
- (a) Increasing transparency;
  - (b) Avoiding misrepresentation or misunderstanding of Board discussions or decisions;
  - (c) The ability of advisers or constituencies to provide remote input to developing country Board members when they could not attend due to resource or time constraints (of particular concern to countries with less available resources, suggesting webcasting would make Board representation fairer);
  - (d) Making use of the state-of-the-art technology promoted by the Republic of Korea in its bid to host GCF headquarters in Songdo;
  - (e) Broader engagement and closer ties with a wide range of stakeholders;
  - (f) Promoting this young fund to a wider public;
  - (g) The fact that other similar organizations already make use of this facility, as does the Transitional Committee of the GCF, showing that it is possible and providing experience which the GCF could draw on;
  - (h) Accountability to the general public and its right to follow proceedings; and
  - (i) Overcoming isolation through technology (of particular relevance to SIDS and the LDCs).

384. The CSO active observer also strongly supported webcasting, in particular stressing that not allowing this facility perpetuated inequities, with developed countries able to provide more in-Board support and advisers than developing countries, and pointing to the very unequal representation of observers in terms of civil society representatives from the Global South in attendance at Board meetings.

385. Some Board members pronounced themselves broadly in favour, with a proviso that only open sessions in plenary be webcast, that the Secretariat first ascertain the interest in webcasting outside the GCF, for example by looking into how many people already watched the recordings released on the GCF website, and that the Secretariat also determine the potential costs of setting up such a facility.

386. A few Board members spoke out against the idea of webcasting, citing: (a) the risk of endangering the protection of deliberative and other information; (b) the large number of stakeholders already closely involved in Board meetings thanks to the accreditation of a broad selection of observers; (c) concerns that webcasting might constrain discussions and make it more difficult to be flexible on certain matters; (d) the fact that videos of proceedings were already made available a few days after meetings of the Board concluded; and (e) an unfairness issue, given that at any one time, meetings would take place during the night in some countries, the population of which would be limited in its ability to follow proceedings. They suggested conserving the practice of posting recordings of proceedings after the event.

387. The Co-Chairs suggested taking the decision, as it stood, with the issue of webcasting remaining in square brackets, mandating the Co-Chairs to consult further on the issue of webcasting to try to resolve it and bring it back to the Board for consideration. This was rejected by two Board members, who called for a decision on the matter to be taken at this Board meeting. The Co-Chairs stated that they would come back to the matter the following day, they asked a small group to hold discussions to see whether they could resolve the issue, and adjourned the item.

388. The Co-Chairs reopened the agenda item, drawing the attention of the Board to a revised draft decision and a revised draft Information disclosure policy. The draft decision now stated that formal Board meetings would be webcast until the end of 2017, with this facility reviewed no later than March 2018. The draft policy now noted that Board meetings would be webcast live until the end of 2017. One Board member expressed their thanks to those Board members who had shown flexibility in accommodating the general views in favour of webcasting.

389. Two Board members supported the change to the draft decision text, but objected to the time-bound condition in the policy text, noting that this would mean that the entire policy would need to be reviewed at that time, when there was already an automatic mechanism in place to review after three years.

390. A Board member explained that this time-bound review aimed to capture lessons learned and to ensure that the Board could review the service at an appropriate time. Another stated that removing the time frame in the policy, while keeping it in the document would lead to a contradiction between the two.

391. The General Counsel noted that as the policy was qualified in the decision, the legal value of the time-bound condition remained the same whether it was also included in the policy text or not.

392. The Board consented to removing the time-bound reference from the policy text.

393. The Board duly adopted the following decision.

## DECISION B.12/35

*The Board, having reviewed the document GCF/B.12/24 titled “Comprehensive information disclosure policy of the Fund”,*

- (a) *Adopts the Information disclosure policy of the Green Climate Fund as set out in annex XXIX (the “Policy”);*
- (b) *Requests the Ethics and Audit Committee, once the environmental and social management system is developed, to review the relevant disclosure requirements under the Policy and make appropriate recommendations to the Board;*
- (c) *Decides that, pending the constitution of the Information Appeals Panel, under the Policy, the Ethics and Audit Committee will fulfil such a role on a temporary basis until the Information Appeals Panel shall have become operational;*
- (d) *Decides that formal Board meetings will be webcast live until the end of 2017;*
- (e) *Requests the Secretariat to undertake a qualitative and quantitative review of the webcasting service, to include the costs involved, the views of those who have accessed it, and other information that would be useful to assess the service;*
- (f) *Notes that the Board will decide on modalities for the qualitative and quantitative review of the webcasting service no later than its sixteenth meeting, noting that data collection will begin with the first webcast; and*
- (g) *Decides that the Board will consider the review of the webcasting service no later than March 2018.*

## Agenda item 23: Term of Board Membership

394. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/25/Rev.01 titled “Term of Board membership”, noting that it asked the Board to consider aligning the term of Board membership to the calendar year.

395. A Board member noted a small typographical error in the document.

396. There being no objections to the draft decision and with the correction duly noted, the Board duly adopted the following decision:

## DECISION B.12/36

*The Board, having reviewed the document GCF/B.12/25/Rev.01 titled “Term of Board Membership”,*

- (a) *Decides that the terms for members and alternate members of the Board are to be aligned to the calendar year;*
- (b) *Also decides, on an exceptional basis, without setting a precedent and for practical and pragmatic reasons only, that the current term for members and alternate members of the Board will end on 31 December 2018 and that the next term for members and alternate members of the Board will start on 1 January 2019;*
- (c) *Decides that the term of membership for members and alternate members of the Board appointed to the Accreditation Committee, the Investment Committee, the Risk Management Committee and the Private Sector Advisory Group will be three years;*
- (d) *Also decides, on an exceptional basis, without setting a precedent and for practical and pragmatic reasons only, that the current term of membership for the committees and*

*groups referred to in paragraph (c) above and the Budget Committee established pursuant to decision B.12/37 will end on 31 December 2018;*

- (e) Further decides that the current two-year term for the representatives of the active observers from civil society organizations and private sector organizations formally commenced on 1 January 2016 and will end on 31 December 2017;*
- (f) Decides to delete the text contained in Rule 7 of the Rules of Procedure of the Board and replace it with the following:*
- (g) “The term of the two Co-Chairs is for one year starting on 1 January of the calendar year immediately following their election by the Board. They shall continue their functions until the term of their successors has commenced or, if later, once they have been elected”; and*
- (h) Requests the Secretariat to publish the revised consolidated Rules of Procedure of the Board on the GCF website.*

## **Agenda item 24: Establishment of the Budget Committee of the Board**

397. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/26 titled “Establishment of a Budget Committee of the Board”.

398. The Co-Chairs reminded Board members that during the informal session on 7 March 2016, that they had briefed Board members on the role they proposed for the Budget Committee.

399. The Co-Chairs explained an amendment to the terms of reference (TOR), projected on the Board room screen, regarding the role and functions of the committee in annex II to document GCF/B.12/26.

400. They noted the members who had been nominated by the developing country constituency – Mr. Omar El-Arini, Mr. Teimuraz Murgulia, and Ms. Black-Layne – and by the developed country constituency – Ms. Leclerc, Ms. Ludovica Soderini and Mr. Jose Delgado.

401. The Board duly adopted the following decision:

### *DECISION B.12/37*

*The Board, having reviewed document GCF/B.12/26 titled “Establishment of a Budget Committee of the Board”,*

- (a) Establishes the Budget Committee as a committee of the Board in accordance with paragraph 30 of the Rules of Procedure of the Board;*
- (b) Adopts the terms of reference of the Budget Committee as set out in annex XXX;*
- (c) Appoints the following Board members/alternate Board members from developing countries as members of the Budget Committee for its first term: and*
  - (i) Mr. Omar El-Arini;*
  - (ii) Mr. Teimuraz Murgulia; and*
  - (iii) Ms. Diann Black-Layne;*
- (d) Appoints the following Board members/alternate Board members from developed countries as members of the Budget Committee for its first term:*
  - (i) Ms. Caroline Leclerc;*
  - (ii) Ms. Ludovica Soderini; and*

(iii) *Mr. Jose Delgado.*

## **Agenda item 25: Interim Trustee review and other trustee matters**

402. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/18 titled “Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Green Climate Fund”. They invited the Board to consider the draft decision presented for adoption in annex I to the document, approving TOR in its annex II and asking the Secretariat to initiate a review of the Interim Trustee. They invited a representative of the Secretariat to introduce the item.

403. The representative of the Secretariat presented document GCF/B.12/18, noting that the draft decision would mandate the Secretariat to complete the review of the Interim Trustee by the fourteenth meeting of the Board and to report to the Board at that date on the outcomes and recommendations of that review. They also set out a potential road map for the selection of a permanent Trustee thereafter, with a decision taken on TOR for a request for proposals for a permanent Trustee at the fifteenth meeting of the Board, a competitive procurement process running to the seventeenth meeting of the Board, where a decision on selecting a Trustee would be taken, and the selection process completed by April 2018. They noted that the document presented two options for the selection of a Trustee: the GCF providing its own services or outsourcing to another institution.

404. A Board member asked who would be conducting the review of the Interim Trustee. The representative of the Secretariat replied that this task would be outsourced to an expert third party. Some Board members called for an amendment to the draft decision, to make this explicit.

405. Another Board member asked for more information on the relationship between the Trustee and AEs, and whether the role of the Trustee could be expanded in the future.

406. Several Board members noted that the document mentioned additional services which could be provided by the Trustee, such as the provision of foreign exchange hedging products and other risk management financial instruments. They questioned the need for this, as they believed the Governing Instrument set out the services to be provided by the Trustee, and that these other services could be more easily sourced from the market.

407. Several Board members raised issues with the indicators set out in TOR. The issues outlined by Board members included that some indicators were too subjective, with too great a focus on input rather than output; some were not related to the performance of the Trustee, such as the number of contribution agreements signed; and some were outside the control of the Interim Trustee, such as the number of meetings attended.

408. On the selection of a permanent Trustee, a Board member noted that this should be considered at a later date, but wondered whether a timeline for the process should be reflected in the decision text itself.

409. The CSO active observer expressed concern at the presumption in document GCF/B.12/18 that expanded functions such as the issuance of bonds were “necessary for the operation of the GCF”, arguing that this would portray the GCF as a bank rather than a fund – a portrayal they could not support.

410. The Co-Chairs called for revisions to be made to the draft decision and adjourned the agenda item.

411. The Co-Chairs reopened the agenda item and presented a revised draft decision and document.

412. A Board member asked for the draft decision text to mention that the review would be conducted under the oversight of the Risk Management Committee.

413. With this amendment, the Board duly adopted following decision:

*DECISION B.12/38*

*The Board, having reviewed document GCF/B.12/18 titled "Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Green Climate Fund",*

- (a) Takes note of the agreement to conduct a review of the Interim Trustee three years after the operation of the GCF as set out in the Governing Instrument for the GCF;*
- (b) Requests the Secretariat to commission an independent third party to implement the review of the Interim Trustee, in consultation with and under oversight of the Risk Management Committee; and*
- (c) Further requests the Secretariat to ensure that in undertaking the review, the independent third party:*
  - (i) Develops terms of reference for the review drawing from the Governing Instrument and the contract between the Secretariat and the Interim Trustee, in consultation with the Secretariat and the Interim Trustee, and endorsed by the Risk Management Committee; and*
  - (ii) Conducts the review and provides a report for the consideration of the Board by its fourteenth meeting.*

## **Agenda item 26: Outstanding elements related to the Fund's fiduciary standards**

414. The Co-Chairs stated that this item would be considered in closed executive session.

415. The Secretariat informed the Board that matters related to this agenda item were under consultation.

## **Agenda item 27: Administrative matters**

416. The Co-Chairs opened the agenda item.

### **Agenda item 27(a): Update on the administrative guidelines on procurement**

417. The Co-Chairs drew the attention of the Board to document GCF/B.12/19 titled "Extension of the approval period for the Administrative guidelines on procurement". They invited a representative of the Secretariat to take the floor.

418. The representative of the Secretariat introduced the agenda sub-item and document, noting that they were asking for an extension of the existing guidelines as a new procurement specialist and new members of the Office of the General Counsel (OGC) had been recruited and would be working to adjust the guidelines to the needs of the GCF.

419. One Board member called for permanent guidelines to be considered with a view to adoption by the Board at its sixteenth or seventeenth meetings at the latest.

420. The Board adopted decision B.12/39.

## *DECISION B.12/39*

*The Board, having reviewed document GCF/B12/19 titled "Extension of approval period for the Administrative guidelines on procurement",*

- (a) *Decides to approve the continued application of the Corporate procurement guidelines on the use of consultants and the Corporate procurement guidelines for goods and services, until the Board shall have approved the revised guidelines, which should be no later than the seventeenth of the Board meeting; and*
- (b) *Authorizes the Executive Director to implement the guidelines.*

### **Agenda item 27(b): Information Note on the Administrative Guidelines on Human Resources**

- 421. The Co-Chairs invited the Board to take note of document GCF/B.12/20 titled "Information note on the administrative guidelines on human resources".
- 422. One Board member noted that the GCF required more staff, but asked that any potential decisions concerning salary increases and cost-of-living allowances be brought to the Board for consideration.
- 423. Another Board member highlighted the importance of attracting the best staff and promoting internal career development, noting that the GCF operated differently to the United Nations system or even institutions such as regional banks, calling for flexibility on these matters.
- 424. The Board took note of document GCF/B.12/20.

### **Agenda item 27(c): Status of the GCF Administrative Tribunal**

- 425. The Co-Chairs drew the attention of the Board to document GCF/B12/21 titled "Administrative Tribunal of the Green Climate Fund (status update)", and asked the General Counsel to take the floor.
- 426. The General Counsel explained that the Board had previously adopted administrative guidelines for human resources which include reference to an administrative review of any employment dispute, and that these guidelines also refer to an administrative tribunal to be proposed to the Board for approval. They presented two options: joining an existing tribunal, such as the International Labour Organization Administrative Tribunal, or for the GCF to establish its own tribunal. They suggested that the Board request the Secretariat to look into the advantages and disadvantages of both options.
- 427. Several Board members expressed a preference for the first option, citing the small size of the GCF and the desire to be a lean and cost-effective organization. They noted the importance of concluding the matter urgently, preferably at the thirteenth meeting of the Board.
- 428. Two Board members wondered why the International Labour Organization Administrative Tribunal in particular had been mentioned, and wondered whether other tribunals could be considered, such as the United Nations Administrative Tribunal.
- 429. The Co-Chairs took note of the comments, asking the Secretariat to look into other existing tribunals which could be called upon, and discarding the option of an in-house tribunal at the GCF.
- 430. The Board adopted decision B.12/40.

## DECISION B.12/40

*The Board, having considered document GCF/B.12/21 titled "Administrative Tribunal of the Green Climate Fund",*

- (a) *Takes note of the status of preparations and the urgent need to agree upon institutional arrangements for the Administrative Tribunal of the Green Climate Fund; and*
- (b) *Requests the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting setting out the two options referred to in document GCF/B.12/21. In particular, the document should set out:*
  - (i) *The structure and mandate of the International Labour Organization Administrative Tribunal, a summary of its rules of procedure, the steps which the GCF must take in order to recognize the jurisdiction of the International Labour Organization Administrative Tribunal, the expected time frame for doing so and an estimate of the annual costs associated with adopting such an approach; and*
  - (ii) *Other options.*

### **Agenda item 27(d): Report on the execution of the administrative budget and unaudited financial statements for 2015**

431. The Co-Chairs invited a representative of the Secretariat to take the floor.
432. The representative of the Secretariat presented document GCF/B.12/Inf.07 titled "Report on the execution of the administrative budget and unaudited financial statements 2015". They noted that these were preliminary financial statements which may be subject to adjustment following auditing. The financial statements for 2015 would be presented to EAC and subsequently the Board following the completion of this audit and any adjustments; this was expected to take place at the thirteenth meeting of the Board.
433. The Board took note of document GCF/B.12/Inf.07.

### **Agenda item 28: Dates of the following meeting of the Board**

434. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.12/27 titled "Date and venue of the following meeting of the Board". As per the Rules of Procedure, the Board were asked to confirm the date for the following meeting as stated in the draft decision, namely that the thirteenth meeting (B.13) would take place from Tuesday, 28 June to Thursday, 30 June 2016, in Songdo.
435. Board members discussed a number of other optional dates during July and August for this meeting so as to try to accommodate various points made by members regarding the festival of Eid al-Fitr, Group of 20 meetings and European summer holidays. The Board concluded that the original dates would stand.
436. Concerning the fourteenth meeting (B.14), the Co-Chairs reminded the Board that this would take place from Tuesday, 18 October to Thursday, 20 October 2016, with these dates to be confirmed at the thirteenth meeting (B.13) of the Board. In decision B.11/13, the Board welcomed the confirmation by Ecuador of its interest in hosting the fourteenth meeting (B.14). The Secretary to the Board stated that the invitation from the Government of the Republic of Ecuador to host the meeting had been reconfirmed and asked if the Board wished to accept this invitation. The developed country Co-Chair, Mr. McDonald, noted that the dates may have to be changed slightly as he would be unavailable.

437. Concerning the fifteenth meeting (B.15) to be held in December 2016, the Co-Chairs reminded Board members of the between meeting decision B.BM-2016/3 to hold this meeting in December 2016. Mr. Feturi Elisaia informed the Board that, following careful consideration, the Government of the Independent State of Samoa had decided to offer to host the fifteenth meeting (B.15) of the Board on behalf of the Pacific region. It was felt that Board members would then be able to see the reality of small island developing States, which was one of the driving reasons behind the establishment of the GCF. Possible dates for this meeting were during the week commencing 5 December 2016 or the week commencing 12 December 2016. The Co-Chairs thanked Mr. Elisaia.

438. The Co-Chairs confirmed the following:

- (a) The thirteenth meeting (B.13) is to be held in Songdo on 28-30 June 2016;
- (b) The fourteenth meeting (B.14) is to take place in the Ecuador. Provisional dates for this meeting of 18-20 October 2016 are to be confirmed at preceding meeting. The Secretariat was requested to finalize consultations with Ecuador to conclude the necessary legal agreement and make all arrangements; and
- (c) The fifteenth meeting (B.15) is to take place in Samoa. Provisional dates for this meeting of 13-15 December 2016 are to be confirmed at the preceding meeting, noting the other options offered by Mr. Elisaia. The Secretariat was requested to pursue consultations with Samoa with a view to concluding legal agreements.

439. There being no objections, the decision was duly adopted as below.

#### *DECISION B.12/41*

*The Board,*

- (a) *Affirms that the thirteenth meeting of the Board will take place from Tuesday, 28 June 2016, to Thursday, 30 June 2016, in Songdo, Republic of Korea;*
- (b) *Reaffirms that 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;*
- (c) *Decides that the fourteenth meeting of the Board will take place in Quito, Ecuador;*
- (d) *Requests the Secretariat to pursue its consultations with Ecuador with a view to concluding the required legal agreement and to making the necessary arrangements;*
- (e) *Decides that the fifteenth meeting of the Board will take place from Tuesday, 13 December 2016, to Thursday, 15 December 2016, with these dates to be confirmed at the fourteenth meeting of the Board;*
- (f) *Decides that the fifteenth meeting of the Board will take place in Apia, Samoa; and*
- (g) *Requests the Secretariat to pursue its consultations with Samoa with a view to concluding the required legal agreement and to making the necessary arrangements.*

#### **Agenda item 29: Other matters**

440. A Board member raised an item for consideration under other matters, namely on the participation of advisers, noting in particular that the Co-Chairs required additional support, and that to date adviser participation had been covered in an ad hoc fashion, but that it would be better to have guidelines embedded in practice more formally.

441. The Co-Chairs took note of this point and mentioned that the Board would consider the point at a later stage in the meeting, but the item was not reopened.

### **Agenda item 30: Report of the meeting**

442. The Co-Chairs opened the agenda item and informed Board members that the compendium of decisions taken at the twelfth meeting of the Board would be circulated to them within the space of two hours, with the full report circulated to them prior to the thirteenth meeting of the Board.

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

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

444. The Co-Chairs opened the agenda item. They stated that during the twelfth meeting of the Board they had adopted over 38 decisions with over 22 annexes and in excess of 145 pages of decisions, deferring just three items. They noted that there were 52 items outstanding for consideration at the thirteenth meeting of the Board, consisting of 42 substantive items and 10 procedural items.

445. They apologized for not quite keeping to schedule, but praised the Board for working together under the motto of “Unity in diversity”. They said that they would strive to improve efficiency and timekeeping in the future in order to further improve the deliberations of the Board. They apologized to active observers who felt that they may have been treated unjustly or overlooked at times due to the fast pace of proceedings and issues in being visible at the back of the room, and gave them the floor for the final time.

446. The CSO active observer asked those present to take a moment in remembrance of Ms. Berta Cáceres, an indigenous, environmental, justice and human rights defender brutally murdered the previous week in Honduras, who was leading the fight against a large, internationally-financed dam threatening her water supply, land and people. They asked the Board and all those attending the meeting to do all that they could to secure justice for Ms. Cáceres and the immediate safe return of Mr. Gustavo Castro Soto, who had been injured during the assassination. They had brought this to the Board as many activists such as Ms. Cáceres faced threats to their life, and this showed the importance of safeguarding the rights of people and the lives they fought for, as well as the importance of the GCF not supporting questionable projects such as the one that claimed the life of Ms. Cáceres. They felt this case also highlighted the importance, for projects and programmes, of obtaining the free, prior and informed consent of people and communities in order to protect their livelihoods and survival.

447. The Co-Chairs thanked the CSO active observer for this important message, and declared the twelfth meeting of the Board closed.

448. The meeting was closed on 10 March 2016 at 9:19 p.m.

## Annex I: Initial Strategic Plan for the GCF

### 1. Introduction

As an operating entity of the financial mechanism of the UNFCCC and of the Paris Agreement, and the largest multilateral climate fund, the GCF 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.

In line with its responsibilities, the GCF Board has taken many important policy and operational decisions pursuant to its mandate as articulated in the Governing Instrument, including the adoption of the essential requirements for the Initial Resource Mobilization, and accreditation of national, regional and international entities. The actions of the Board have instilled confidence in the Fund, which was manifested in pledges amounting to US\$10.3 billion for the Initial Resource Mobilization (IRM), which secures financing for the 2015-2018 programming period. This allowed the Board to establish three pilot programmes amounting to up to USD 900 million at its 10th meeting, and approve the first funding proposals amounting to USD 168 million at its 11th meeting.

After the GCF's rapid operationalization, valuable opportunities remain to be seized and policy gaps and challenges remain to be addressed that would leverage the GCF's full potential. In this initial phase of operations, core challenges and priorities include programming the GCF's resources at scale while ensuring the highest level of transformational ambition and a robust reflection of the GCF's guiding principles throughout its operations. Seizing these opportunities and addressing remaining policy gaps and challenges is expected to be a continuous learning process.

Consequently, the Board has decided to set out a strategic plan to guide the GCF as a continuously learning institution with a view to achieving its overarching objectives outlined in the Governing Instrument. In that sense, the strategic plan will be reflected in the development of the GCF's work plans.

Furthermore, the strategic plan seeks to 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.

The draft strategic plan sets out the Board's strategic vision for the GCF, which extends beyond the IRM period, as well as core operational priorities for the IRM period, which are substantiated by an action plan. The action plan is to be implemented over the course of the IRM period, with its expected time frame of 2016-2018. It serves to address policy gaps and to invest the Fund's resources in transformational climate action in a country-driven manner. The action plan will be reflected in the Board's annual work plans throughout the remainder of the IRM period.

The GCF Board intends to review the strategic plan as part of each replenishment process with a view to revising the strategic vision if and as needed and to update

the core operational priorities and underlying action plan for the coming replenishment cycle taking into account evolving priorities including COP guidance.

## 2. The Board's Strategic Vision for the GCF

### a. Promoting the paradigm shift towards low-emission and climate-resilient development pathways

The GCF will support developing countries in the implementation of the ambitious Paris Agreement, whose aim is to enhance the implementation of the UNFCCC including by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, enhancing adaptive capacity and fostering resilience, and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Based on its mandate defined in the Governing Instrument, the GCF will do so by promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development. The GCF is therefore challenged to turn this abstract vision into practice.

While this document doesn't strive to provide a further definition of the concept of paradigm shift, other than that already provided in the GCF's Initial Investment Framework, Board/Alternate members, in the Informal Board Dialogue, highlighted the following components as being important:

- financing **innovative projects and programmes**, inter alia supporting the application and dissemination of cutting-edge climate technologies, which are characterized by the **highest levels** of mitigation/adaptation ambition, that can be scaled-up and/or replicated or lead to fundamental changes in behaviors and/or investment patterns;
- **programming resources at scale** while seeking to maximize impact as well as achieve a **balanced allocation** between mitigation and adaptation activities and a particular focus on supporting those developing countries particularly vulnerable to the adverse impacts of climate change, including LDCs, SIDS and African States;
- ensuring **full country-ownership** through its operational modalities and by providing adequate support to build the required country capacity;
- ensuring **transparent and inclusive procedures** with respect to all GCF-related activities; and
- **crowding-in and maximizing the engagement of the private sector** in financing and implementing the paradigm shift towards low emission and climate resilient development pathways.

### b. Supporting the implementation of the Paris Agreement within the evolving climate finance landscape

Developing countries' Intended Nationally Determined Contributions (INDCs) to the Paris Agreement are an important reference point for the Fund's programming, as are National Adaptation Plans of Action, National Action Plans, Technology Needs

Assessments and Nationally Appropriate Mitigation Actions. The Fund will provide support in terms of finance, capacity building and technology transfer. By taking a holistic approach and by offering countries a menu of choices both in terms of delivery channels and instruments, the Fund is well placed for this task.

To achieve maximum impact, the GCF should build on its comparative advantages and operate in coherence with the existing climate finance institutions. These include its ability to:

- programme and manage financing at scale;
- engage in partnerships with both public and private actors at various levels;
- take on risks that other funds/institutions are not able or willing to take, including risks associated with deploying innovative climate technologies;
- pilot and potentially scale-up and replicate innovative approaches;
- deploy the full range of financial instruments at its disposal;
- leverage additional financial inputs from innovative and alternative sources; and
- leverage its status as an operating entity of the financial mechanism of the UNFCCC to set new standards with regard to country ownership, direct access and level of ambition impacting the global practice of climate finance beyond its immediate engagement.

### **3. Operational Priorities**

After only its initial capitalization, the GCF is the largest dedicated multilateral climate fund with pledges amounting to US\$10.3 billion for the 2015-2018 programming period. Consequently, the Board has set an aspirational approval target of US\$2.5 billion for 2016. Furthermore, the Board has decided that it will initiate a formal replenishment process once the Fund's cumulative funding approvals exceed 60 per cent of the total contributions, confirmed by fully executed contribution agreements/arrangements, received during the IRM. The Board envisages that it is likely to occur by end-June 2017. These numbers exemplify the Fund's ambition and potential to support ambitious climate mitigation and adaptation action in developing countries at unprecedented scale. What is crucial, however, is that the Board's ambition to get the Fund off the ground and up to scale swiftly does not compromise on its ambition to promote cutting-edge innovation and real transformation towards the low-emission and climate-resilient future that the global community committed itself to in the Paris Agreement. Only by setting the highest standards in terms of ambition and country ownership, and by ensuring that the Fund's unique guiding principles are ingrained throughout its processes – including those within its accredited entities – from the very beginning, can the Fund make the strongest possible contribution.

Hence, core operational priorities particularly for the IRM period will be:

- (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;

- (2) maximizing its impact by supporting projects and programmes that are scalable, replicable and employ GCF resources in the most efficient manner by, inter alia, catalyzing climate finance at the international and national level, including by maximizing private sector engagement;
- (3) setting out the approach of the GCF to programming and investing the full amount pledged for the 2015-2018 programming period, while striving to maximize the impact of its funding for adaptation and mitigation, and to seek a balance between the two;
- (4) ensuring that the GCF is responsive to developing countries' needs and priorities including by enhancing country programming and direct access e.g. through enhanced support for accreditation of NIEs, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency;
- (5) proactively communicating the GCF's ambition in terms of both scale and impact as well as its operational modalities with a view to enhancing predictability and facilitating access.

#### **4. Action Plan**

The action plan lists key strategic measures that the Board intends to promote. These serve to implement the operational priorities identified above<sup>1</sup>. Most measures contribute to the achievement of more than one operational priority.

##### **A. Prioritizing Pipeline Development**

Consistent with Board Decision B.08/13 (Annex XIX, Para 27), the Fund will develop a pipeline against the total amount of pledges. Prioritizing the development of a pipeline of country-driven, high-impact projects and programmes has the potential to (1) scale up investment to achieve this goal and meet the aspirational goal of committing USD 2.5 billion in 2016, (2) allow for a more strategic approach to programming the Fund's financial resources to meet, among other things, the strategic objectives of the GCF as well as the replenishment trigger of committing 60 per cent of the total contributions, confirmed by fully executed contribution agreements/arrangements, received during the IRM and (3) enhance responsiveness to countries' needs and country ownership<sup>2</sup>.

Through its Readiness Programme and direct engagement with NDAs and AEs, the GCF has undertaken efforts towards further developing its pipeline. Additionally,

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<sup>1</sup> Note that many of these strategic items will be linked with other items on the Work Plan for 2016, and will be referenced throughout. The strategic plan will also be closely linked with the Accreditation Strategy and the Communications Strategy, both of which are scheduled for consideration at B.12, B.13 and B.14

<sup>2</sup> Approval of country ownership guidelines are scheduled for consideration at B.12

once the project preparation facility agreed upon at B.11 is fully operational, Accredited Entities will be able to apply for funding of up to 10% of requested GCF funding and a maximum of US\$1.5 million for feasibility studies etc.

However, to meet its strategic goals and address the associated operational challenges, the GCF needs to significantly step-up its efforts and accelerate its pace to ensure that the pipeline meets the transformational ambition of the GCF. In this regard, the current GCF readiness support for developing countries must be significantly enhanced to establish and strengthen the capacity of their NDAs and NIEs and to prepare their country programmes. Against this background, supporting the development of a Fund-wide pipeline of transformational projects and programmes that meet the Fund's investment criteria and allow the GCF to scale up its investment commensurate with the resources available for the IRM period is of utmost importance. Hence, the Board intends to prioritize pipeline development by:

- providing enhanced readiness support<sup>3</sup> by
  - building on an analysis of (a) the shortcomings or bottlenecks of the current readiness activities, (b) readiness needs in developing countries and (c) best practice and lessons learned from current readiness activities to encourage peer to peer learning;
  - following a focus strategy to engage and support NDAs/FPs in developing country programmes, concept notes and funding proposals that have the potential to yield an impact at scale and contribute to the implementation of countries' priorities as identified in INDCs or other national strategies and plans.
  - facilitating and supporting a structured dialogue involving the Secretariat, NDAs, relevant AEs, and other country stakeholders, including the private sector, to develop country programmes and determine which priorities identified by country strategies (INDCs, LEDS, NAPAs, NAMAs, etc.) are the best match for GCF support. The structured dialogue will aim to help NDAs to identify the best AE and other partners and help them design programming that meets the investment criteria of the GCF.
  - offering NDAs a standardized template with questions guiding the development of country programmes;
  - allocating sufficient resources for the Readiness Programme and the respective Activity Areas; and
  - speeding up the disbursement of funds already approved under the Readiness Programme irrespective of the status of agreements with regard to P&I for GCF staff.
- proactively engaging in high-level consultations with NDAs/FPs and AEs related to the identification of national or regional priorities and programmes that meet the Fund's investment criteria;

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<sup>3</sup> Presentation of simplified process for readiness requests and review of the readiness allocation system are scheduled for consideration at B.12

- identifying opportunities for the GCF to add value by co-financing projects and programmes together with the GEF, the Adaptation Fund or Multilateral Development Banks. Particularly in the early stages of operations, this might be a way of scaling up quickly and capitalizing on and learning from the knowledge and experience of these institutions;
- making increased use of simplified RFPs aimed at the public and private sector in consultation with the NDAs/FPs targeting promising and innovative approaches ensuring that successful RFP proposals can demonstrate a viable path to accreditation and plan to ensure country ownership;
- developing replicable approaches and potentially standardized products that would allow proven approaches to be rapidly rolled out in new locations where they match priorities identified in consultation with NDAs/FPs; and
- operationalizing results-based payments for REDD+ in line with COP guidance and the Governing Instrument, evaluating the implementation of results-based payments, and assessing its applicability to other sectors within the purview of the GCF.

## **B. Strengthening the Fund's Proactive and Strategic Approach to Programming**

Strengthening its proactive and strategic approach to programming is key to delivering country-driven and country-owned, high impact public and private sector proposals at scale on a meeting-by-meeting basis. In order to be able to do so, the Board and the Secretariat must gain a better understanding of the objectives of and funding requests from developing countries, the project and programme pipelines that NDAs/FPs and AEs are planning on submitting to the Fund, and remaining gaps that the Fund needs to address pro-actively.

In addition to triggering pipeline development, a proactive and strategic approach to programming also requires the Fund to retain capacity to identify key priorities, approaches, and themes, as it evolves and better understands where it can add value. In this regard, the GCF plans to:

- request all accredited entities to submit annual or multi-annual work programmes, prepared in consultation with NDAs/FPs. Accredited entities are encouraged to actively participate in the structured dialogues described in Section 4 (A) with a view to preparing future work programmes. These work programmes should be prepared based on a standard template to be provided by the Secretariat. They should identify and describe the projects, programmes and other activities, their indicative costs, and how they would be a good fit for the GCF, for each of the countries that the respective AE intends to assist. The Secretariat will then consolidate the annual work programmes into one document to be submitted to the Board for information and discussion. The Board will take this input into account for planning purposes. As these work programmes are non-conclusive, AEs may submit proposals, including in response to RFPs, which are not included in their work programmes.

- carry out a market survey of what is needed to support climate action (e.g., an analysis of those country priorities in which countries have the most difficulty attracting finance) and successes or innovative ideas that could be built upon. This would help identify areas where countries have struggled to mobilize finance and figure out how the GCF could address the relevant barriers, and how to develop its policies and expertise to do so. The survey could also help define GCF RFPs and replicable approaches/standard products in the future.

### **C. Enhancing Accessibility and Predictability<sup>4</sup>**

For those seeking GCF support for climate action in line with countries' needs and priorities as well as the Fund's investment framework, the Fund's resources should be accessible at reasonable up-front cost and low risk. In that sense, enhancing accessibility and predictability can make an important contribution to engaging a wide variety of stakeholders and to scale up investment.

Thus far, the GCF has made efforts to enhance predictability and accessibility through direct engagement with a wide range of stakeholders and broad presence and visibility in international fora, particularly the UNFCCC negotiations. Additionally, the Secretariat has directly engaged with NDAs and AEs with a view to further developing concept notes and funding proposals in line with the Fund's investment criteria. Furthermore, the GCF has taken steps to enhance stakeholders' understanding of the GCF's operations and processes through its updates to its website and by publishing the Elements booklet. Despite these efforts, the GCF's current pipeline demonstrates that many stakeholders are still hesitant to engage with the Fund. Thus, the GCF intends to

- strengthen its proactive and strategic approach to programming, thus enhancing predictability through a more transparent planning of its financial resources (cf. Section B).
- survey stakeholders including NDAs, AEs, other delivery organizations, PSOs and CSOs with a view to gain a better understanding of what the barriers for engagement are.
- signal more clearly what kinds of projects and programmes it is looking to finance. This requires providing improved and coherent guidance on the Fund's investment criteria, risk appetite, standards and processes to be published on the website and communicated through the Fund's communication channels and the Readiness Programme. Finalizing minimum benchmarks in line with decision B.09/05 can further serve to enhance predictability and accessibility to the Fund's resources.<sup>5</sup>
- streamline and, wherever appropriate, simplify its processes and templates particularly for micro-scale activities in LDCs and SIDS.

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<sup>4</sup> Approvals Process Review are scheduled for consideration at B.12 and B.13, and the further development of the initial proposal approval process are scheduled for consideration at B.13

<sup>5</sup> Indicative minimum benchmarks are scheduled for consideration at B.13

- revise the proposal approval process based on the review decided in B.11/11 and simplify proposal approval procedures as appropriate.

#### **D. Maximizing the Engagement of the Private Sector**

To date, the GCF has established the Private Sector Facility, has accredited three private sector entities, decided to establish a MSME Pilot Programme worth up to US\$200m and a Private Sector focused Pilot Programme for Mobilizing Funds at Scale worth up to US\$500m, and it has approved two private sector proposals with a GCF funding volume of US\$ 47.

In order to tap the full potential of its unique features including the Private Sector Facility, the Board aims to crowd-in and maximize the engagement of the private sector at the national, regional and international level in financing and implementing the paradigm shift towards low emission and climate-resilient development pathways in line with developing country's needs and priorities. To this end, the GCF intends to:

- analyse barriers to crowding-in and maximizing the engagement of the private sector, including based on a survey amongst private sectors actors. Contingent on the findings of this analysis, the GCF intends to develop a private sector outreach plan.
- reconsider the extensive recommendations already provided by the PSAG, pertaining inter alia to the need to undertake actions to enhance the capacity within the Secretariat, to assess the accreditation procedures for private sector entities, to enhance private sector involvement within the readiness programme and to spell out the GCF's ability to reduce currency risks.

#### **E. Building Adequate Institutional Capabilities**

In order to achieve its operational priorities, the GCF has to ensure adequate institutional capabilities. In this regard, the Board intends to

- further build and maintain a well-staffed Secretariat<sup>6</sup> that can deliver all of its functions as provided in the GI, including risk management, monitoring and accountability<sup>7</sup>, readiness, managing RFPs, and the project preparation facility<sup>8</sup>. The GCF will strive to attract and retain the high levels of expertise required to carry out GCF operations and retain institutional knowledge over time;
- improve the efficiency of the Board's processes, including decision-making related to funding proposals. Considerations include the implementation of simplified procedures for approvals or the delegation of funding-decisions for

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<sup>6</sup> Approval of updated administrative budget and staffing as a decision in between meetings (B.11-B.12)

<sup>7</sup> Further development of some indicators in the PMF are scheduled for consideration at B.12 and Adopt ToR for the independent evaluation of the Readiness and Preparatory Support Programme are scheduled for consideration at B.14

<sup>8</sup> Review of the Project Preparation Facility are scheduled for consideration at B.14

certain kinds of proposals, as well as by mandating a committee to present recommendations on funding proposals to the Board;

- finalize the operationalization of the three independent accountability units, including providing sufficient staff and resources to carry out their duties<sup>9</sup>;
- review the role and structure of panels and groups that provide independent advice to the Board to ensure that they remain complementary to the role of the Secretariat, while also ensuring that Panels and Groups have the necessary resources and expertise to complete their duties to the highest level<sup>10</sup>;
- strengthen the role of NDAs by providing sustained support through the Readiness Programme and facilitate the dialogue between NDAs and AEs by more closely defining their respective roles (including vis-à-vis the Fund) and by offering a platform for knowledge sharing and a marketplace for ideas; and
- assess whether the role of the interim trustee should be enhanced to facilitate the administrative execution of funding decisions.

## **5. Process for the implementation/further development/revision/update of the Strategic Plan**

The strategic plan for the GCF is a living document, which the Board intends to review as part of each replenishment process taking into account evolving priorities including COP guidance. The strategic plan will be reflected in the GCF Work Plans by providing high level strategic guidance on how individual items can better contribute to the overall objectives of the GCF, and on whether any course corrections are needed.

Hence, to ensure the successful implementation of the strategic plan, the Board intends to consider the operational priorities and action plan included in this document when considering the related agenda items included in the Work Plan for 2016, and subsequent Work Plans. Linkages between the strategic plan and the 2016 Work Plan are referenced in footnotes throughout this document and include the accreditation and communications strategy, the Readiness Programme, the approvals process, the investment framework, the risk management framework, independent accountability units, GCF groups and panels, and staffing.

As the strategic plan, particularly the operational priorities, is further updated and revised based on operational experience, new elements may need to be considered by the Board. The strategic plan will be used as a tool to identify such elements, to enable their inclusion in the relevant annual Work Plan.

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<sup>9</sup> Appointment of the Heads of the Independent Accountability Units including performance based Contracts are scheduled for consideration at B.12 (progress report) and B.13, and Interim Redress Mechanism are scheduled for consideration at B.12 and B.14

<sup>10</sup> Approve ToR for the Review of ITAP are scheduled for consideration at B.13 and Review of ITAP are scheduled for consideration at B.14, Approval of ToR for the Budget Committee, and election of members are scheduled for consideration at B.12, and Adopt ToRs and initiate the review of the Committees and Groups are scheduled for consideration at B.14

## Annex II: Report of the Accreditation Committee on progress on developing a strategy on accreditation

1. The purpose of the strategy is to help guide future Board decisions to ensure that the substance and process of GCF accreditation enable the Fund to achieve its objectives as laid out in the Governing Instrument.
2. The Strategy will be an integral part of the Fund's Strategic Plan and will have inter alia, the following guiding principles: country ownership; potential to contribute to the GCFs mandate of supporting a paradigm shift; balance and diversity; efficiency in terms of cost; time and resources; fairness, effectiveness and transparency.
3. Based on the experience of the first year of operationalizing the accreditation framework, the Accreditation Committee, when preparing the Strategy, will provide guidance on the following questions and engage relevant stakeholders:
  - (a) What are the lessons learnt from the Accreditation Panel and the Secretariat in the initial operationalization of the accreditation framework?
  - (b) How can future accreditation decisions best support the GCF in fulfilling its mandate and in achieving the desired impacts?
  - (c) How can the Fund leverage the relationships with AEs (their comparative advantage, ability to mainstream climate considerations across their pipeline, and level of engagement with the GCF as strategic partners) to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development?
  - (d) In line with the purpose of decision B.11/10, paragraph 35 on the conditions for re-accreditation, how can the Fund maximize its impact on accredited entities to transform their overall portfolio and adopt the best climate policies?
  - (e) How should the Fund approach the question of limits and prioritization regarding the number and nature of organizations that can be accredited, especially taking into account applications from countries with no national entities accredited yet?
  - (f) How should the accreditation process address the objectives of the Fund in terms of balance, i.e. what is balanced? What modalities may be needed in order to achieve the desired outcome?
  - (g) When taking future accreditation decisions, how should the Fund incorporate geographic and thematic considerations?
  - (h) Should the accreditation framework (including the fiduciary standards and environmental and social safeguards) be implemented so as to fit and reflect the diversity of channels, inter alia national systems and the private sector, i.e. how "fit for purpose" can we be? If so, how?
  - (i) How should the accreditation strategy be articulated with the other Fund policies, including those related to the use of financial instruments, risk management and the Private Sector Facility?
  - (j) In order to fully implement the Accreditation Strategy, what revisions or new elements should be brought to the current accreditation framework and the Fund's existing policies, including measures related to simplification of the process, staffing and accountability?

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## Annex III: Terms of reference of the Executive Director Selection Committee

### I. Role and functions

1. The role of the Executive Director Selection Committee (ED Selection Committee) is to oversee the selection process of the Executive Director in accordance with these terms of reference; develop performance criteria and measurement procedures for the Executive Director for consideration by the Board; and recommend at least three final candidates to the Board at its thirteenth meeting, or the next meeting.

### II. Membership

2. The ad hoc committee will comprise:
- (a) Three developing country Board member and/or alternate member; and
  - (b) Three developed country Board member and/or alternate member.
3. Members of the ED Selection Committee will serve for its duration as per paragraph 4.

### II. Duration

4. The ED Selection Committee will be an ad hoc committee of the Board and shall function until the earlier of:
- (a) The conclusion of the selection process of the Executive Director; and
  - (b) The Board having decided to terminate the Committee.

## Annex IV: Updated terms of reference of the Executive Director of the Green Climate Fund Secretariat

### I. Job description

1. The Executive Director will be appointed by, and accountable to, the Board of the Green Climate Fund.
2. The Executive Director, operating under the Board, will:
  - (a) Work to achieve the objective of the Fund, by establishing and maintaining effective relationships with the Fund's stakeholders in order to mobilize resources, including partner Governments, its contributors, recipients, and other components of the Fund, as well as the Trustee, the Conference of the Parties, relevant bodies under the United Nations Framework Convention on Climate Change, observer organizations, multilateral, bilateral and development agencies and other stakeholders;
  - (b) Establish and maintain effective relationships with the Government of the Republic of Korea; in maintaining the support provided to the offices in Songdo and ensuring that the officials of the Fund continue to enjoy the privileges and immunities associated with their official functions and status;
  - (c) Continue to recruit and retain a cadre of international and local professional staff for the Secretariat, ensuring that selection is open, transparent and based on merit, taking into account geographic and gender balance, in accordance with the organizational structure and administrative budget approved by the Board;
  - (d) Effectively manage and develop staff in order to maximise performance and promote an inclusive and healthy working environment;
  - (e) Provide regular and structured performance feedback to Secretariat staff, including direct reports;
  - (f) Lead the Secretariat's efforts in supporting the Board with the continued development and implementation of:
    - (i) The Fund's operational modalities, access modalities and funding structures;
    - (ii) Specific operational policies and guidelines, including for programming, project cycle, administration and financial management, as necessary;
    - (iii) Funding criteria, modalities, policies and programmes;
    - (iv) Environmental and social safeguards and fiduciary principles and standards that are internationally accepted as best practice;
    - (v) Portfolio management and oversight;
    - (vi) Criteria and application processes for the accreditation of implementing entities of the Fund;
    - (vii) The arrangements for replenishment processes; and
    - (viii) A framework for the monitoring and evaluation of performance and the financial accountability of activities supported by the Fund and any necessary external audits.
  - (g) Lead the Secretariat's team of professionals, responsible for the day-to-day operations of the Fund to:

- (i) Organize and execute all administrative duties, including the preparation for meetings of the Board and its subsidiary bodies;
  - (ii) Report information on the Fund's activities;
  - (iii) Liaise with members, implementing entities, and cooperating bilateral and multilateral institutions and agencies;
  - (iv) Prepare performance reports on the implementation of activities under the Fund;
  - (v) Develop the work programme and annual administrative budget of the Secretariat and Trustee for approval by the Board;
  - (vi) Operationalize the project and programme cycle processes;
  - (vii) Prepare financial agreements related to the specific financing instrument to be concluded with an implementing entity;
  - (viii) Monitor the financial risks of the outstanding portfolio;
  - (ix) Work with the Trustee to support the Board to enable it to carry out its responsibilities;
  - (x) Carry out monitoring and evaluation function, as may be required by the Board;
  - (xi) Support the Board in arranging replenishment processes;
  - (xii) Establish and run effective knowledge management practices; and
  - (xiii) Perform any other functions assigned by the Board.
3. The Executive Director will report to the Board at its regular meetings.
  4. The Executive Director will be responsive to the Board, nurture and maintain open channels of communication, and build an effective relationship with the Board.

## II. Required experience and qualifications

5. The Executive Director will demonstrate:
  - (a) Strong intellectual leadership, based on knowledge and experience of climate change, development, finance, and their interrelationships;
  - (b) sound political judgment and excellent strategic and analytical skills which can be applied to complex problems;
  - (c) Enhanced communication and advocacy skills to enable successful interaction with decision-makers at the highest level;
  - (d) Leadership and management experience within a large organization in an international context;
  - (e) Strong values and ethics, with the ability to mobilize and engage people;
  - (f) A track record of robust and accountable management of financial resources at a senior level, preferably in a development finance context;
  - (g) Experience in working with a range of stakeholders in developing and developed countries; Sensitivity to political, gender, cultural, religious differences;
  - (h) An impeccable reputation for honesty, integrity and expertise;

- (i) Sufficient knowledge of the UNFCCC and the Paris Agreement;
- (j) Degree in a relevant field, advanced degree desirable;
- (k) At least 15 years of relevant experience, including experience in, or working with, developing countries; and
- (l) Fluency in English, knowledge of Arabic, Chinese, French, Russian or Spanish an advantage.

### **III. Remuneration, contractual arrangements and term**

- 6. Remuneration will be comparable to the level of a Vice President of the World Bank and an Assistant Secretary General in the United Nations common system.
- 7. The Board will appoint the Executive Director with a performance based contract.
- 8. The Executive Director's performance will be evaluated regularly with a performance framework to be approved by the Board.
- 9. The term of the position will be four years, with the possibility of reappointment once.

## Annex V: Selection process for the Executive Director of the Green Climate Fund Secretariat

1. The following steps are proposed for the selection of the Executive Director:
  - (a) Approval by the Board of the selection process;
  - (b) Approval by the Board of the terms of reference for the Executive Director as set out in Annex IV;
  - (c) Approval by the Board of the terms of reference for the independent executive search firm as set out in Annex VII;
  - (d) Establishment by the Board of an Executive Director Selection Committee consisting of six Board members drawn equally from developing and developed countries that will oversee the selection process and make recommendations to the Board;
  - (e) Engagement by the Secretariat (upon approval by the Executive Director Selection Committee) of an independent executive search firm to assist the Committee in its work;
  - (f) Issuance of an advertisement for the Executive Director position as soon as possible after the twelfth meeting of the Board, which will be circulated as widely as possible, including through a notification to all NDAs, accredited entities, Governments, UNFCCC national focal points, accredited observers, civil society and in leading international journals, with an application deadline of four weeks from the date of issuance of the advertisement;
  - (g) Review of the applications by the Executive Director Selection Committee, with the support of the independent executive search firm, including: creation of a short list of six to eight candidates, interviews with the six to eight short list candidates, creation of a final list of at least three candidates, and second-round interviews with the final list candidates;
  - (h) Recommendation by the Executive Director Selection Committee of at least three final candidates to the Board at its thirteenth meeting of the Board, or a subsequent meeting, which may include a ranking by preference;
  - (i) Following presentation to the Board by all three candidates, consideration by the Board of the Committee's recommendations, including Board agreement of one candidate from among the final three candidates; and
  - (j) The Board will make an offer to the selected candidate at the thirteenth meeting of the Board, or a subsequent meeting.

## Annex VI: Indicative timeline of the entire process for the appointment of the Executive Director

Date/deadline	Content	Action
B.12	<p>Establishment by the Board of an Executive Director Selection Committee (EDSC) consisting of six Board members drawn equally from developing and developed countries to oversee the selection process and make recommendations to the Board.</p> <p>Approval by the Board of the terms of reference for the Executive Director</p> <p>Approval by the Board of the ED selection process</p> <p>Budget allocation to support the costs of undertaking the search for the Executive Director</p> <p>Terms of Reference and Procurement of an independent executive search firm to assist the Committee in its work</p>	Board decision
15 March 2016 cob (KST)	Request for proposal for the recruitment firm to be published online	
29 March 2016 cob (KST)	Receive bids from the recruitment firm	Secretariat evaluation of the bids / Approval by EDSC.
12 April 2016 cob (KST)	Contract with recruitment firm to be signed	
18 April 2016	Advert published	
16 May 2016	Deadline for applications	
<p>23 May 2016</p> <p>6 June 2016</p> <p>13 June 2016</p> <p>21 June 2016</p>	<p>Follow the “selection process” on shortlisting:</p> <ul style="list-style-type: none"> <li>• First cut list of 20-25;</li> <li>• Long list of 10-12 candidates;</li> <li>• Short list of 5 or 6 candidates;</li> <li>• In person interviews of short listed candidates</li> </ul>	<p>1) EDSC virtual meeting</p> <p>2) EDSC virtual meeting</p> <p>3) EDSC virtual meeting</p> <p>4) EDSC in-person meeting, location TBC</p>
Pre B.13 (24 June 2016)	Recommendation by the EDSC of at least three final candidates to the Board, which may include ranking by preference.	EDSC Recommendation
B.13 (28-30 June 2016)	Consideration by the Board of the EDSC’s recommendations, including Board agreement of one candidate from among the final three candidates.	Board decision
B.13	Recommendation by the EDSC on performance criteria and measurement procedures for the Executive Director	EDSC Recommendation
B.13	Approval of the performance criteria and measurement procedures for the Executive Director	Board decision

## **Annex VII: Terms of reference of the independent executive search firm**

### **I. Introduction**

1. The ED Selection Committee established by the Board will oversee the recruitment process for the Executive Director.
2. It will engage a recruitment firm with demonstrated experience within the international system to provide advisory and administrative support. It is expected that the recruitment process will be completed by the thirteenth meeting, or subsequent meeting of the Board.
3. The Secretariat will provide the ED Selection Committee with logistical and administrative support.
4. This request for proposal (RFP) seeks to identify a recruitment firm that will assist the recruitment process by undertaking the tasks described in this RFP. The authority to decide on the selection of a recruitment firm rests with the ED Selection Committee.

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

5. The objective of the assignment is to ensure an open and transparent recruitment process of the Executive Director, by providing long lists, short lists and a final list of at least three qualified applicants.

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

6. The successful recruitment firm will be responsible for the screening process (long listing, short listing and final listing). The Fund will maintain oversight over the outsourced recruitment services in order to ensure compliance with the Fund's recruitment policies and procedures.
7. Job categories to be covered: Executive Director

### **IV. Activities to be undertaken by the firm under the direction of the ED Selection Committee**

#### **4.1 Phase I: Attracting and communicating with candidates**

- (a) Review the job description of the position and ensure that the selection criteria is properly formulated;
- (b) Develop a role specification for the position based on the job description of the Executive Director with guidance from the ED Selection Committee;
- (c) Develop and launch the vacancy advertisement in appropriate media including social media;
- (d) Receive and keep record of all applications;
- (e) Act as the contact point for those seeking information and/or proposing candidates;
- (f) Communicate, where appropriate, with the applicants; and

- (g) Conduct an executive search for candidates, using networks, rosters, referrals and other appropriate means.

## 4.2 Phase II: Supporting the work of the ED Selection Committee

### 4.2.1 Establishment of the first cut list of candidates (20-25) for the position

- (a) Review all applications received;
- (b) Screen all applications against the requirements of the post, by CV review and any other information that can be gathered without contacting the candidates; and
- (c) Present to the ED Selection Committee for its approval the first cut list of 20-25 candidates as well as appropriate background information.

### 4.2.2 Establishment of the long list of candidates (approximately ten to twelve)

- (a) Assess all individuals on the first cut list of 20-25 candidates, by all reasonable means, for example CV and application review, discussion with candidates, informal references and interviews. Present the ED Selection Committee with the first cut list of 20-25 candidates with verbal and written comments; and
- (b) Assist the ED Selection Committee in establishing a long list of candidates (approximately 10-12) that will be further evaluated.

### 4.2.3 Establishment of the short list of candidates (approximately five or six)

- (a) Conduct appropriate reference checks and further screening on all the long list of candidates (approximately 10-12), and present the ED Selection Committee with a detailed report, including all available background information, detailed curricula vitae and references;
- (b) Assist the Appointment Committee in establishing a short list of candidates (approximately five or six) that will be further evaluated;
- (c) Assist the ED Selection Committee's interviews with the short list candidates, including drafting suitable and effective interview questions;
- (d) Attend the interviews and prepare a report with the minutes of the interviews conducted, for consideration by the ED Selection Committee in its deliberations.

### 4.2.4 Establishment of the final list of candidates (at least three)

- (a) Assist the ED Selection Committee in establishing the final list of three candidates which may include ranking by preference, to be presented to the Board for final approval;
- (b) Assist the ED Selection Committee to interview the final list of at least three candidates, including drafting probing interview questions and preparing a scoring sheet for the ED Selection Committee and preparing a short report;
- (c) Assist the ED Selection Committee in preparing a detailed final report to be presented to the Board for decision;
- (d) Keep close communication with all the candidates, present the Green Climate Fund in the best possible light as an attractive employer; and

- (e) Respond to all questions and concerns in a timely way, and keep all candidates informed about the progress of their candidacy.

## **V. Outputs**

8. To provide, as a result of the above:
- (a) A first cut list of 20-25 candidates;
  - (b) Assist the ED Selection Committee to select a long list of 10-12 candidates;
  - (c) Assist the ED Selection Committee to select a short list of 5 or 6 candidates;
  - (d) Assist the ED Selection Committee to select final list of candidates ;
  - (e) Complete data and brief comments on the first cut list of 20-25 candidates;
  - (f) A report on the process to establish the long list of candidates;
  - (g) A report on the interviews conducted for establishing the short list of candidates;
  - (h) Draft interview questions and a scoring grid for the ED Selection Committee and prepare a report on the interviews of the final list of candidates; and
  - (i) Prepare a detailed final report, in collaboration with the ED Selection Committee, on the final list of candidates and the recruitment process.

## **VI. Monitoring and progress controls, including reporting requirements**

9. The recruitment firm shall work closely with the ED Selection Committee. It will only have contact the Fund's Secretariat for purely administrative purposes.

## **VII. Confidentiality**

10. All details of this assignment, candidates, selection processes, discussions, interviews etc. must be kept entirely confidential. The consultants are expected to understand the sensitive nature of this assignment and act accordingly.

## **VIII. Duration of the consultancy**

11. This consultancy is expected to take up to a maximum of six months starting from the date of signature of the contract by both parties, subject to adjustments as required.
12. The contract ends at the point of signature of the contract by selected candidate. If the candidate resigns or is let go within one year of taking up his or he role, the recruitment firm is obliged to find a replacement without charging a fee.

**Annex VIII: Trust Fund Contribution Agreement among the Kingdom of Spain, acting through its Ministry of Economy and Competitiveness, the Green Climate Fund, and the International Bank for Reconstruction and Development**

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*Trust Fund Contribution Agreement among the Kingdom of Spain, acting through its Ministry of Economy and Competitiveness, the Green Climate Fund, and the International Bank for Reconstruction and Development, serving as the interim trustee of the Green Climate Fund Trust Fund concerning the Green Climate Fund Trust Fund (MTO No. 069022)*

1. The Green Climate Fund ("Fund") and the International Bank for Reconstruction and Development ("Bank"), serving as the interim trustee ("Trustee") of the Green Climate Fund Trust Fund (MTO No. 069022) ("Trust Fund"), acknowledge that the Kingdom of Spain, acting through its Ministry of Economy and Competitiveness ("Contributor") agrees to make available to the Trust Fund for the benefit of the Fund the sum of one million Euros (EUR 1,000,000) ("Initial Contribution") in the form of a Grant Contribution in accordance with the terms of this Contribution Agreement.
2. The Fund and the Trustee further acknowledge that:
  - (a) the Contributor agrees, subject to legislative appropriations, to make available to the Trust Fund for the benefit of the Fund the sum of forty one million Euros (EUR 41,000,000) ("Supplemental Contribution 1") in the form of a Grant Contribution in accordance with the terms of this Contribution Agreement; provided that this paragraph 2(a) will not become effective unless and until the Trustee and the Contributor have received under paragraph 6.5 the notification from the Secretariat of the Board's endorsement of the terms of paragraph 6.4; and
  - (b) the Contributor agrees, subject to legislative appropriations, to make available to the Trust Fund for the benefit of the Fund the sum of seventy eight million Euros (EUR 78,000,000) ("Supplemental Contribution 2") in the form of a Grant Contribution in accordance with the terms of this Contribution Agreement; provided that this paragraph 2(b) will not become effective unless and until the Trustee and the Contributor have received under paragraph 6.5 the notification from the Secretariat of the Board's endorsement of the terms of paragraph 6.4 and the payment schedule specified paragraphs 6.3.
3. Capitalized terms used in this Contribution Agreement and not defined herein shall have the meaning given to them in the Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund (the "Standard Provisions"), attached as Annex I to the GCF Trust Fund Agreement (as hereinafter defined).
4. The parties hereto agree that: (a) the Trustee shall administer 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 amended from time to time in accordance with its terms (the "GCF Trust Fund Agreement"); and (b) the terms and conditions of the GCF Trust Fund Agreement shall apply to this Contribution Agreement. In case of any inconsistency between this Contribution Agreement and the Standard Provisions, the terms of the Standard Provisions shall prevail.
5. The Contributor confirms that it has received a copy of the GCF Trust Fund Agreement, and acknowledges that the Trustee may receive contributions from other contributors to the Trust Fund, which, together with the Contribution, shall be accounted and administered as a single trust fund, on the terms and conditions specified in paragraph 4 above.

6. In accordance with paragraph 2 of the Standard Provisions, the Contributor shall make payments for the Contribution to the Trust Fund in cash as follows:

6.1 The Contributor shall deposit the Initial Contribution in the amount of one million Euros (EUR 1,000,000), promptly following countersignature of this Contribution Agreement by the Contributor and upon submission of a payment request by the Trustee.

6.2 Following the effectiveness of paragraph 2(a) above, the Contributor shall deposit the Supplemental Contribution 1 in installment in accordance with the following schedule:

- (a) on or before 31 December 2016 and upon submission of a payment request by the Trustee, the amount of one million Euros (EUR 1,000,000);
- (b) on or before 31 December 2017 and upon submission of a payment request by the Trustee, the amount of fifteen million Euros (EUR 15,000,000); and
- (c) on or before 31 December 2018 and upon submission of a payment request by the Trustee, the amount of twenty-five million Euros (EUR 25,000,000), subject to paragraph 6.9 below.

6.3 Following the effectiveness of paragraph 2(b) above, the Contributor shall deposit the Supplemental Contribution 2 in installment in accordance with the following schedule:

- (a) on or before 31 December 2019 and upon submission of a payment request by the Trustee, the amount of thirty-five million Euros (EUR 35,000,000), subject to paragraph 6.9 below; and
- (b) on or before 31 December 2020 and upon submission of a payment request by the Trustee, the amount of forty-three million Euros (EUR 43,000,000), subject to paragraph 6.9 below.

6.4 Subject to paragraphs 6.5 and 6.6 below, the Contributor and the Fund acknowledge that the Contribution is being provided in installments on the basis that the Board will approve not less than four (4) projects in each calendar year in which the scheduled payment installment falls. If the Board approves less than four (4) projects in any calendar year, the corresponding payment schedule for the payment designated for that year under paragraph 6.2 or 6.3 above, as applicable shall be amended to reflect a new payment schedule agreed by the Contributor, the Fund and the Trustee in accordance with paragraph 8 below.

6.5 The Secretariat will seek the Board's endorsement of (a) the terms specified in paragraph 6.4 above and (b) the payment schedule specified in paragraphs 6.3 above. The Secretariat will promptly notify the Trustee and the Contributor in writing of such Board endorsement.

6.6 In the event the Board does not endorse the terms specified in paragraph 6.4 above before 31 December 2016, the Contributor may submit a written notification to the Fund and the Trustee requesting to amend this Contribution Agreement in accordance with paragraph 8 below to delete paragraph 6.4 in its entirety and make corresponding amendments to paragraphs 2(a) and (b) above. In the event the Board does not endorse the payment schedule specified in paragraphs 6.3

above, the Contributor may inform the Secretariat and the Trustee of a proposed new payment schedule, reflecting the requirements made by the Board, for payments that have not been made under paragraphs 6.3 above, and the parties shall amend this Contribution Agreement in accordance with paragraph 8 below to reflect a new payment schedule agreed by the Contributor, the Fund and the Trustee.

6.7 Any deposit of cash under paragraphs 6.1, 6.2, 6.3 above shall be made into the bank account designated by the Trustee.

6.8 When making any deposit of cash, the Contributor shall instruct its bank to include in the payment details information (remittance advice) field of its SWIFT payment message, the deposit instructions which include information indicating: the amount paid, that the payment is made by the Contributor for MTO No. 069022 (Green Climate Fund Trust Fund), and the date of the deposit.

6.9 The parties hereto acknowledge that as of the date of this Contribution Agreement, the Bank's role as the interim trustee of the Trust Fund terminates on April 30, 2018 under paragraph 8.4 of the GCF Trust Fund Agreement. The Trustee will not receive any payments of Contributions if the Bank is not the Trustee of the Trust Fund as of the date of the payment, in which case the provisions of paragraph 8.6 of the GCF Trust Fund Agreement and paragraph 5.4 of the Standard Provisions shall apply.

7. Any notice, request or other communication to be given or made under this Contribution Agreement shall be in writing in the English language and delivered by mail, facsimile or e-mail to the respective party's address specified below or at any other address as the party may notify in writing to the other parties from time to time:

For the Fund:

Chief Financial Officer  
Green Climate Fund Secretariat  
G-Tower, 175 Art Center-daero  
Yeonsu-gu, Incheon 22004, Republic of Korea

Tel: + 82 32 458 6075  
Fax: + 82 32 458 6094  
E-mail: [CFO@gcfund.org](mailto:CFO@gcfund.org)

For the Trustee:

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

Tel: +1 202-473-7654

Fax: +1 202-522-2447  
E-mail: [gcfitrustee@worldbank.org](mailto:gcfitrustee@worldbank.org)

For the Contributor:

Íñigo Fernández de Mesa  
Secretary of State  
Economy and business support  
Castellana, 162  
28014 Madrid  
SPAIN

Tel: +34 916037835  
E-mail: [imesa@mineco.es](mailto:imesa@mineco.es)

8. This Contribution Agreement may be amended only in writing among the Fund, the Trustee and the Contributor.

9. Any dispute, controversy or claim between the Fund and the Contributor arising out of or relating to this Contribution Agreement, which has not been settled pursuant to paragraph 9.1 of the Standard Provisions, shall be submitted to arbitration in accordance with the Arbitration Rules 2012 of the Permanent Court of Arbitration in force on the date hereof, and the following provisions: (a) the number of arbitrators shall be three (3); (b) the place of arbitration shall be Seoul, Republic of Korea; and (c) the language of the arbitral proceedings shall be English. Any arbitral award shall be final and binding upon the Fund and the Contributor. The Fund and the Contributor shall carry out the award without delay. The provisions set forth in this paragraph 9 shall be in lieu of any other procedure for the settlement of disputes between the Fund and the Contributor.

10. Each of the parties to this Contribution Agreement represents, by confirming its agreement below, that it is authorized to enter into this Contribution Agreement and act in accordance with these terms and conditions. The parties are requested to sign and date this Contribution Agreement, and upon possession by the Trustee of this fully signed Contribution Agreement, this Contribution Agreement shall, without prejudice to paragraphs 2(a) and 2(b) above, become effective as of the date of the last signature.

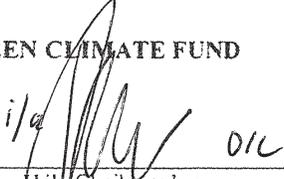
Thus signed in three (3) original copies.

**KINGDOM OF SPAIN, ACTING THROUGH ITS MINISTRY OF ECONOMY AND  
COMPETITIVENESS**

By:   
Iñigo Fernández de Mesa  
Secretary of State

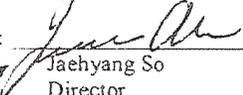
Date: Madrid 12th December 2015

**GREEN CLIMATE FUND**

By:   
Hélène Cheikhrouhou  
Executive Director

Date: 6 January 2016

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

By:   
For Jaehyang So  
Director  
Trust Funds and Partnerships  
Development Finance

Date: 12/23/15

## **Annex IX: Loan Arrangement: Government of Canada, the Green Climate Fund and the International Bank for Reconstruction and Development**

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MTO NUMBER 069022

# Loan Arrangement

among

GOVERNMENT OF CANADA,  
ACTING THROUGH THE DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND  
DEVELOPMENT,

GREEN CLIMATE FUND

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
SERVING AS THE INTERIM TRUSTEE OF THE GREEN CLIMATE FUND TRUST FUND  
CONCERNING THE GREEN CLIMATE FUND TRUST FUND  
(MTO NO. 069022)

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**LOAN ARRANGEMENT**, dated 9 December 2015, among the Government of Canada, acting through the Department of Foreign Affairs, Trade and Development (the “Lender”) as the lender; the Green Climate Fund (the “Fund”) as the borrower; and the International Bank for Reconstruction and Development (the “Bank”), serving as the interim trustee (“Trustee”) of the Green Climate Fund Trust Fund (MTO No. 069022) (“Trust Fund”).

**WHEREAS** the Board of the Fund has decided that contributions to the Trust Fund may be made in the form of concessional loans to the Fund.

**WHEREAS** the Lender has decided to contribute to the Trust Fund through a loan provided to the Fund in accordance with and subject to the provisions of this Loan Arrangement.

**NOW, THEREFORE**, the signatories hereto hereby agree as follows:

#### **ARTICLE 1 – DEFINITIONS, INTERPRETATION AND CONSTRUCTION**

1.1 Unless otherwise defined herein, all defined terms used herein will have the meaning ascribed thereto in the Standard Provisions (as hereinafter defined) and in addition the following terms will have the following meanings:

“Business Day” means any day (other than a Saturday or Sunday) when (a) banks are generally open for business both in Washington, D.C., U.S.A. and Toronto, Canada, (b) the Bank is generally open for business in Washington, D.C., U.S.A, and (c) the Fund is generally open for business in Songdo, Republic of Korea;

“Canada’s Contribution Arrangement” means the Contribution Arrangement entered into among the Government of Canada, acting through the Department of Foreign Affairs, Trade and Development, as a provider of a Grant Contribution and Canada’s Cushion, the Fund and the Trustee, pursuant to Section 4.1(a);

“Canada’s Cushion” means any Cushion provided by the Cushion Contributor pursuant to Canada’s Contribution Arrangement to support the Loan Contribution provided by the Lender under this Loan Arrangement;

“Cushion Contributor” means the Government of Canada, acting through the Department of Foreign Affairs, Trade and Development, as the provider of Canada’s Cushion;

“Drawdown” means the drawdown and payment of the Loan under this Loan Arrangement;

“Drawdown Date” means a Business Day on which the proceeds of the Loan are drawn by the Trustee in accordance with Sections 2.2, 2.3 and 2.4;

“Drawdown Effective Date” has the meaning given to it in Section 4.1 (b);

“Drawdown Request” means a request for Drawdown submitted to the Lender in accordance with Section 2.3, substantially in the form attached hereto as Annex I (Form of Drawdown Request);

“GCF Trust Fund Agreement” has the meaning given to it in Section 1.2;

“Government of Canada’s Fiscal Year” means a twelve-month period extending from April 1 of one year to March 31 of the following year;

“Individual Lender’s Loan Reflows” means the portion of Lenders’ Loan Reflows determined by the Secretariat as attributable to the Lender;

“Individual Lender’s Loan Resources” means the portion of Lenders’ Loan Resources that may be used to make interest payment and/or repayment of the Outstanding Loan Balance at a given Payment Date, as determined by the Secretariat in accordance with Section 5.1;

“Interest Payment Amount” means for each Interest Payment Date, the amount of interest payable on the Loan on such date;

“Interest Payment Date” means each date on which interest on the Loan is payable, as specified in Section 3.1 and as may be revised pursuant to Section 5.2;

“Interest Period” means (a) the initial period from and including the date that is sixty (60) months from the Drawdown Effective Date to but excluding the immediately following June 15 or December 15, whichever occurs first, and (b) after the initial period, each six (6) month period thereafter from and including the last day of the preceding period to but excluding the immediately following June 15 or December 15, whichever occurs first;

“Lenders’ Loan Reflows” means the portion of the reflows of funds from loans extended by the Fund, as allocated by the Secretariat for Loan Contributions in accordance with the Applicable Policies and paragraph 3.3(e) of the Standard Provisions;

“Lenders’ Loan Resources” means the resources consisting of (a) proceeds from Loan Contributions in the amount determined by the Secretariat as available for making any principal, interest and other payments to be made on the loans under the Loan Agreements/Arrangements, and (b) Lenders’ Loan Reflows;

“Loan” means the repayable contribution to be provided to the Fund as borrower solely for the benefit of the Trust Fund, by the Lender under this Loan Arrangement;

“Loan Arrangement” means this arrangement and its annex;

“Non-Performing Loan” has the meaning given to it in Section 5.2(j)(A);

“Outstanding Loan Balance” means the principal amount of the Loan drawn by the Trustee and outstanding from time to time from the Drawdown Effective Date;

“Payment Date” means any Interest Payment Date or Principal Repayment Date, as applicable;

“Principal Repayment Amount” means for each Principal Repayment Date, the amount of principal of the Loan payable on such date;

“Principal Repayment Date” means each date on which all or any portion of the principal amount of the Loan is payable, as specified in Section 3.2 and as may be revised pursuant to Section 5.2;

“Standard Provisions” means the Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund, incorporated in the GCF Trust Fund Agreement as Annex I, as such standard provisions may be amended from time to time in accordance with its terms; and

“Unpaid Amount” has the meaning given to it in Section 5.2(i)(A).

1.2 The signatories hereto accept that: (a) the Trustee will administer the Loan 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 amended from time to time in accordance with its provisions (the “GCF Trust Fund Agreement”); and (b) the provisions of the GCF Trust Fund Agreement will apply to this Loan Arrangement. In case of any inconsistency between this Loan Arrangement and the Standard Provisions, the provisions of the Standard Provisions will prevail.

1.3 In this Loan Arrangement, unless the context otherwise requires:

(a) Headings are inserted for convenience of reference only and do not affect the interpretation of this Loan Arrangement; and

(b) A reference to a document includes an amendment or supplement to, or replacement or novation of, that document but disregarding any amendment, supplement, replacement or novation made in breach of this Loan Arrangement.

1.4 All annexes attached hereto will constitute an integral part of this Loan Arrangement.

1.5 For the purpose of this Loan Arrangement:

1.5.1 all references made in the Standard Provisions to “shall”, “Contribution Agreements”, “Contribution Agreement”, “Loan Agreements” and “Loan Agreement” will have the same meaning as the term “will”, “Contribution Arrangements”, “Contribution Arrangement”, “Loan Arrangements” and “Loan Arrangement”, respectively;

1.5.2 all references made in paragraph 11 of the Standard Provisions to “parties” will have the same meaning as the term “signatories”;

1.5.3 all provisions in the Standard Provisions that indicate an agreement on the part of the Contributor or the Lender will be read to mean an acceptance by the Contributor or the Lender, respectively; and

1.5.4 all references made in paragraph 5.4 and 8.1 of the Standard Provisions to “obligation(s)” will have the same meaning as the term “commitment(s)”; all references made in paragraph 5.3 of the Standard Provisions to “obligation(s)” will be read as “obligation(s)” or “commitment(s)”, as appropriate.

1.6 It is understood that this Loan Arrangement is not an international treaty. It is an administrative arrangement among the Lender, the Fund and the Trustee.

1.7 In providing the Loan under this Loan Arrangement, the Lender does not assume any responsibility or liability towards the Fund, the Trustee or any third parties for any claims, debts, demands, damage or loss as a result of the implementation of the activities of the Fund.

## ARTICLE 2 – THE LOAN

2.1 The Lender will contribute to the Fund, on the terms and conditions set forth or referred to in this Loan Arrangement, the Loan in the amount in United States Dollars equivalent to one hundred and ten million Canadian Dollars (CAD 110,000,000) for the purpose of making a Loan Contribution to the Trust Fund. For the avoidance of doubt, the Loan Contribution does not constitute a loan to the Trust Fund. The amount in United States Dollars will be deposited by the Lender in accordance with Section 2.4 using the prevailing foreign exchange rate obtained by the Lender through its correspondent bank on the date of the deposit. The amount of the Loan, including the interest payments and principal repayments, will be denominated in United States Dollars.

2.2 The Loan will consist of one Drawdown. Once the condition precedent set out in Section 4.1(b) has been met, the Lender and the Fund will decide in writing in advance on a Drawdown Date, which will be during the Government of Canada's Fiscal Year 2018/19. Notwithstanding the foregoing, the signatories acknowledge that as of the date of this Loan Arrangement, the Bank's role as the interim trustee of the Trust Fund terminates on 30 April 2018 under paragraph 8.4 of the GCF Trust Fund Agreement. The Trustee will not request any Drawdown of the Loan if the Bank is not the Trustee of the Trust Fund as of the Drawdown Date, in which case the provisions of paragraph 8.6 of the GCF Trust Fund Agreement, paragraph 5.4 of the Standard Provisions and Section 8.6 of this Loan Arrangement will apply.

2.3 Upon decision by the Lender and the Fund in Section 2.2, the Secretariat will, by not less than twenty-five (25) Business Days prior to the Drawdown Date, send a Written Instruction, specifying the Drawdown Date to the Trustee. By sending such Written Instruction to the Trustee, the Fund irrevocably and unconditionally authorizes the Trustee, and the Trustee will, subject to Section 2.2, within ten (10) Business Days from its receipt of such instruction, request the Drawdown of the full amount of the Loan as set out in Section 2.1 by delivering to the Lender a Drawdown Request.

2.4 Upon receipt of the Drawdown Request, subject to there being an appropriation by the Parliament of Canada for the Government of Canada's Fiscal Year in which the Drawdown Date falls, the Lender will, on or before the Drawdown Date, deposit the amount in United States Dollars into the account designated by the Trustee in the Drawdown Request. When making such deposit, the Lender will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, the deposit instructions which include information indicating: the amount paid, that the payment is made by the Lender for MTO No. 069022 (Green Climate Fund), and the date of the deposit. The Trustee will promptly notify the Lender and the Fund of the amount of the proceeds it received in United States Dollars. The Trustee will also notify the Fund and the Lender of the Drawdown Effective Date promptly upon its occurrence.

2.5 Upon receipt by the Fund of the notifications from the Trustee on the amount of the proceeds it received and the Drawdown Effective Date as specified in Section 2.4, the Fund will promptly send a notice to the Lender and the Trustee confirming (i) the amount of the Loan under this Loan Arrangement, and (ii) the schedule for its repayment in United States Dollars in accordance with the terms of this Loan Arrangement.

2.6 The proceeds of the Loan will be credited to the Trust Fund as the Loan Contribution by the Lender to be used and administered in accordance with the GCF Trust Fund Agreement. The Lender confirms that it has received a copy of the GCF Trust Fund Agreement.

2.7 The Bank will act under this Loan Arrangement solely in its capacity as trustee of the Trust Fund and neither in its individual or personal capacity nor as borrower, guarantor or surety. The Trustee will be responsible only for performing those functions specifically set forth in this Loan Arrangement and the

GCF Trust Fund Agreement, and will not be subject to any other duties or responsibilities to the Fund or the Lender. The Trustee will not be responsible for any determination made by the Fund or the Secretariat under this Loan Arrangement, and may rely in good faith on any instruction provided by the Fund or the Secretariat under this Loan Arrangement without further inquiry or investigation on its part, and will have no liability for relying in good faith on any such instruction or otherwise for any actions taken, or omitted to be taken, in good faith. Absent any gross negligence or willful misconduct on the part of the Trustee, the Trustee's liability under this Loan Arrangement will in any event be limited to the extent of the resources made available in the Trust Fund pursuant to the GCF Trust Fund Agreement and this Loan Arrangement.

### **ARTICLE 3 – TERM; INTEREST AND PRINCIPAL PAYMENTS**

3.1 Subject to the provisions of Section 5.2, interest will accrue on the Outstanding Loan Balance at a rate of one per cent (1%) per annum during each Interest Period. Interest will accrue from the date that is sixty (60) months from the Drawdown Effective Date and will be payable on the immediately following June 15 or December 15, whichever occurs first, and thereafter will be payable semi-annually in arrears on the immediately following June 15 and December 15 of each year, whichever occurs first. The Interest Payment Amount will be computed on the basis of the actual number of days elapsed and a year of three hundred and sixty (360) days.

3.2 Subject to the provisions of Section 5.2, the Loan will be repaid in forty (40) equal semi-annual installments on June 15 and December 15 of each year, with the first such repayment occurring on June 15 or December 15, whichever occurs first following sixty (60) months after the Drawdown Effective Date.

3.3 Upon giving not less than twenty (20) Business Days' prior written notice to the Lender (with a copy to the Trustee), the Fund may prepay the Outstanding Loan Balance and any accrued interest, in whole or in part without penalty.

3.4 The Lender will not have the right to demand any payment under this Loan Arrangement in advance of maturity.

### **ARTICLE 4 – CUSHION**

- 4.1 (a) The Lender will provide Contributions in the amount of:
- (i) twenty two million Canadian Dollars (CAD 22,000,000) to the Trust Fund to serve as Canada's Cushion; and
  - (ii) one hundred sixty eight million Canadian Dollars (CAD 168,000,000) to the Trust Fund to serve as a Grant Contribution,

which will be paid to the Trustee pursuant to Canada's Contribution Arrangement.

(b) The signature of Canada's Contribution Arrangement by all signatories is a condition precedent to the Drawdown. The term of the Loan, referred to in Article 3 above, will begin on the last day on which the Trustee has received (i) the proceeds of the Loan; (ii) the Cushion in the amount of twenty two million Canadian Dollars (CAD 22,000,000); and (iii) the first installment of the Grant Contribution in the amount of forty million Canadian Dollars (CAD 40,000,000), in accordance with Sections 2.4 and 4.1(a) of this Loan Arrangement and Canada's Contribution Arrangement (the "Drawdown Effective Date").

4.2 All or any portion of Canada's Cushion may be converted into a Grant Contribution in accordance with paragraph 3.4 of the Standard Provisions.

4.3 The Fund will be responsible for ensuring that Canada's Cushion is used in accordance with the terms of this Loan Arrangement, Canada's Contribution Arrangement and the Applicable Policies. Canada's Cushion will only be used to make interest payments and/or repayments of the Outstanding Loan Balance due by the Fund to the Lender under this Loan Arrangement, and not to any other lenders, as set out in Section 5.2 below.

## **ARTICLE 5 – LIMITED RECOURSE; PAYMENT ARRANGEMENTS**

5.1 The Lender accepts that any payment and repayment commitment of the Fund hereunder will be limited to the available Individual Lender's Loan Resources and Canada's Cushion held in the Trust Fund, and the Lender will not have any recourse against any other assets of the Fund or the Trust Fund. The Secretariat will, in accordance with the terms of the Standard Provisions, the Applicable Policies, including International Financial Reporting Standards, and this Loan Arrangement, determine the amount of the Individual Lender's Loan Resources and Canada's Cushion available in the Trust Fund for the purpose of making any interest payment and/or repayment of the Outstanding Loan Balance under Sections 3.1, 3.2, 3.3 and/or 5.2. For the purpose of this Loan Arrangement, the Individual Lender's Loan Resources will be determined, in relation to each Payment Date, by firstly, deducting from the Lenders' Loan Resources available in the Trust Fund the total amount of resources to be applied for the reimbursement of Canada's Cushion in accordance with Section 5.2(ii) and for the reimbursement of other lenders' respective Cushions in a similar manner as Section 5.2(ii) at that Payment Date, as applicable, and secondly, calculating the pro rata share of the remaining Lenders' Loan Resources available in the Trust Fund based on the amount of the payment payable under this Loan Arrangement to the Lender at that Payment Date, relative to the total amounts of payments payable under all Loan Agreements/Arrangements at that Payment Date.

5.2 (i) If two (2) months prior to any Payment Date, the Secretariat determines that the Individual Lender's Loan Resources available in the Trust Fund are less than the amount due and payable under this Loan Arrangement, the payment on such Payment Date will be made only to the extent of such Individual Lender's Loan Resources available, and:

- (A) If the Secretariat determines that any part or all of the insufficient Individual Lender's Loan Resources are due to financial losses from non-performing loans extended by the Fund under paragraph 3.3(d) of the Standard Provisions as determined by the Secretariat ("Non-Performing Loans"), the Secretariat will (a) use any available Canada's Cushion to pay the amount representing the difference between the Individual Lender's Loan Resources available in the Trust Fund and the scheduled Principal Repayment Amount and Interest Payment Amount (the "Unpaid Amount"), and (b) in the event of insufficient Canada's Cushion, write off any or all of such portion of the Unpaid Amount.
- (B) If the Secretariat determines, in respect to any Payment Date other than a last scheduled Payment Date, that any part or all of the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, the Secretariat will (a) use any available Canada's Cushion to pay the Unpaid Amount and (b) in the event of insufficient Canada's Cushion, carry forward any and all portion of the Unpaid Amount remaining unpaid after (a) above, and add such amount to the scheduled Principal Repayment Amount due and payable at the following Payment Date. For the avoidance of doubt, if any

portion of the Unpaid Amount is carried forward, it will form part of the Outstanding Loan Balance for calculating the Interest Payment Amount due and payable on any subsequent Payment Date and the Outstanding Loan Balance will be adjusted by the Secretariat accordingly. The Secretariat will also promptly notify the Lender and the Trustee of the revised schedule for the interest payment and/or repayment of the Outstanding Loan Balance to reflect such carrying forward of the Unpaid Amount.

(C) If the Secretariat determines, in respect of a last scheduled Payment Date, that the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, and:

(x) the Secretariat determines that all Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of Canada's Cushion or written off under Section 5.2(i)(A)) have been collected by the Fund in accordance with Applicable Policies approved by the Board, then any shortfall of the interest payment and/or repayment of the Outstanding Loan Balance will be paid from the then available Canada's Cushion on the last scheduled Payment Date, and to the extent there is insufficient available Canada's Cushion, any shortfall of the interest payment and/or repayment of the Outstanding Loan Balance will be written off by the Secretariat on the last scheduled Payment Date; or

(y) the Secretariat determines that any Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of Canada's Cushion or written off under Section 5.2(i)(A)) have not been collected by the Fund in accordance with Applicable Policies approved by the Board, then, notwithstanding Sections 3.1 and 3.2, the schedule for the remaining interest payment and/or repayment of the Outstanding Loan Balance will be revised by the Secretariat, taking into account the amounts and timing of when such Individual Lender's Loan Reflows are expected to be collected by the Fund as determined by the Secretariat. In such case, the Secretariat will promptly notify the Lender and the Trustee of the revised schedule for the interest payment and/or repayment of the Outstanding Loan Balance on the new Payment Dates. For greater clarity, the Secretariat may revise the schedule for the remaining interest payment and/or repayment of the Outstanding Loan Balance in accordance with this Section 5.2(i)(C)(y) until the Secretariat determines that all Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of Canada's Cushion or written off under Section 5.2(i)(A)) will have been collected by the Fund in accordance with Applicable Policies approved by the Board. Notwithstanding the foregoing, the Secretariat may only revise the payment schedule to the extent that the last Payment Date under any new schedule will not extend beyond five (5) years from the original last Payment Date specified in the notice from the Fund to the Lender and the Trustee pursuant to Section

2.5, unless otherwise agreed in writing by the Lender, the Fund and the Trustee. The provisions of Section 5.2 will apply to the payments to be made under any new payment schedule. If the payment schedule may not be revised further under this Section 5.2(i)(C)(y), and if the Secretariat determines two (2) months prior to the last Payment Date thereunder that there are insufficient Individual Lender's Loan Resources, any shortfall of the interest payment and/or repayment of the Outstanding Loan Balance will be paid from the then available Canada's Cushion on the last Payment Date, and to the extent there is insufficient available Canada's Cushion, any shortfall of the interest payment and/or repayment of the Outstanding Loan Balance will be written off by the Secretariat on the last Payment Date.

(ii) In the event the Secretariat determines that any amount of the Individual Lender's Loan Reflows, against which any amount of Canada's Cushion has been used under Sections 5.2(i)(B) and (i)(C)(y) for cases where the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, have been collected, such amount of Individual Lender's Loan Reflows as determined by the Secretariat will be applied for reimbursing Canada's Cushion at the immediately following Payment Date. The reimbursement of Canada's Cushion under this Section 5.2(ii) may be made up to the date falling five (5) years from the original last Payment Date specified in the notice from the Fund to the Lender and the Trustee pursuant to Section 2.5, unless otherwise agreed in writing by the Lender, the Fund and the Trustee. If any date of reimbursement falls after all payments to the Lender under this Loan Arrangement have been made in full, such amount of reimbursement will be added to the amount of the Grant Contribution in accordance with paragraph 3.4 of the Standard Provisions.

(iii) Within twenty (20) Business Days prior to the Payment Date in relation to which any interest payment and/or repayment of the Outstanding Loan Balance will be written off, the Secretariat will notify the Lender and the Trustee in writing of the amount and the date of the interest payment and/or repayment, respectively, of the Outstanding Loan Balance to be written off. The Lender and the Fund acknowledge that any amount so written off in accordance with the provisions of this Section 5.2 will no longer be considered due and payable by the Fund to the Lender under this Loan Arrangement, following such notification by the Secretariat.

5.3 Following determination by the Secretariat of the available resources under Sections 5.1 and 5.2 above, and no later than ten (10) Business Days, but no earlier than thirty (30) Business Days, prior to any Payment Date, the Secretariat will deliver to the Trustee a Written Instruction instructing the amount of interest payment and/or repayment of the Outstanding Loan Balance to be made under this Loan Arrangement on such Payment Date. With the Secretariat's delivery of such Written Instruction to the Trustee, the Fund irrevocably and unconditionally authorizes the Trustee, and the Trustee agrees, to process such interest payment and/or repayment of the Outstanding Loan Balance in accordance with, and to the extent of, the Written Instruction and in accordance with the provisions of Article 5.

5.4 Subject to the provisions of Section 5.3, the Trustee will transfer to the Lender, on each Payment Date and out of the Trust Fund resources held by it, the amount so instructed by the Secretariat in the Written Instruction, as payments under Sections 3.1, 3.2, 3.3 and/or 5.2, as applicable.

5.5 Except as otherwise agreed by the signatories, any payment under this Loan Arrangement will be made in United States Dollars.

5.6 Any payment which is due to be made on a day that is not a Business Day will be made on the next Business Day.

5.7 All payments by the Trustee under this Loan Arrangement will be paid to the bank account of the Lender designated by the Lender to the Trustee in writing on the date hereof, or to such other account designated by the Lender to the Trustee in writing no less than thirty (30) Business Days prior to a relevant Payment Date.

5.8 All payments required to be made by the Trustee under this Loan Arrangement will be calculated without reference to any set-off and will be made free and clear of and without any deduction for or on account of any set-off.

5.9 The Fund will verify, keep record of and track the uses of the Lenders' Loan Resources, the Lenders' Loan Reflows, the Individual Lender's Loan Resources, the Individual Lender's Loan Reflows and Canada's Cushion under this Loan Arrangement and Canada's Contribution Arrangement. The Fund will report to the Lender on the uses of such types of resources on a semi-annual basis, unless otherwise agreed between the Fund and the Lender. The Trustee will neither verify, keep record of, track, nor report on, any uses of such types of resources, and will not establish any sub-account in the Trust Fund for this purpose. The Trustee will process any interest payment and/or repayment of the Outstanding Loan Balance out of the Trust Fund resources at the Written Instruction from the Secretariat in accordance with Sections 5.3 and 5.4, without regard to types of resources tracked by the Fund, whether Lenders' Loan Resources, Lenders' Loan Reflows, Individual Lender's Loan Resources, Individual Lender's Loan Reflows, Canada's Cushion or otherwise and without tracking the Contributions made or reflows received during the IRM Period or any subsequent replenishment period.

5.10 The Fund will provide relevant financial information to the Lender in order to support any decision that may be taken to revise interest payment and/or repayment schedule under Section 5.2(i)(C)(y), as may be reasonably requested by the Lender.

#### ARTICLE 6 – DECLARATIONS

6.1 Each of the signatories to this Loan Arrangement declares by confirming its acceptance below, that it is authorized to enter into this Loan Arrangement and act in accordance with its provisions.

#### ARTICLE 7 – NOTICES

7.1 Any notice, request or other communication to be given or made under this Loan Arrangement will be in writing in English language and delivered by mail, facsimile or e-mail to the respective signatory's address specified below or at any other address as the signatory notifies in writing to the other signatories from time to time:

For the Lender:

Director General  
Food Security and Environment Bureau  
Department of Foreign Affairs, Trade and Development  
125 Sussex Drive, D1-185  
Ottawa, Ontario, K1A 0G2  
Canada

Tel: +1 343 203-4725  
Fax : +1 613-992-2541  
E-mail: [Caroline.Leclerc@international.gc.ca](mailto:Caroline.Leclerc@international.gc.ca)

For the Fund:

Chief Financial Officer  
Green Climate Fund Secretariat  
G-Tower, 175 Art Center-daero  
Yeonsu-gu, Incheon 22004, Republic of Korea

Tel: + 82 32 458 6075  
Fax: + 82 32 458 6094  
E-mail: [CFO@gcfund.org](mailto:CFO@gcfund.org)

For the Trustee:

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

Tel: +1 202 473-7654  
Fax: +1 202 522-2447  
E-mail: [gcfitrustee@worldbank.org](mailto:gcfitrustee@worldbank.org)

**ARTICLE 8— AMENDMENTS AND WAIVERS; SEVERABILITY; COUNTERPARTS**

8.1 This Loan Arrangement may be amended only in writing among the Fund, the Trustee and the Lender.

8.2 If the Board adopts policies and guidelines that regulate how the Fund will manage its financial risks on a day-to-day basis including liquidity, asset-liability, market and credit risk management (including the debt instruments extended by the Fund), the Fund will notify the Lender and the Trustee if and to the extent that such policies and guidelines contradict the terms of Sections 5.1, 5.2, 5.9 and/or 5.10 of this Loan Arrangement. The signatories hereto will discuss in good faith to amend Sections 5.1, 5.2, 5.9 and/or 5.10 of this Loan Arrangement as necessary to reflect the adopted policies and guidelines, and such amendment to be mutually agreed by the signatories.

8.3 No failure or delay in exercising any entitlement under this Loan Arrangement will impair such entitlement or operate, or be construed, as a waiver or variation of it or preclude its exercise at any subsequent time, and no single or partial exercise of any entitlement will preclude any other or further exercises thereof or the exercise of any other entitlement.

8.4 None of the signatories will be deemed to have waived any of its entitlements under this Loan Arrangement, unless expressly so stated in a notice by the signatory waiving such an entitlement to the other signatories.

8.5 None of the signatories to this Loan Arrangement may assign, transfer, novate or dispose of any of its entitlements or commitments under the Loan Arrangement without the prior written consent of the other signatories to the Loan Arrangement (such consent not to be unreasonably withheld or delayed).

8.6 Notwithstanding Section 8.5 above:

(a) as set forth in paragraph 5.3 of the Standard Provisions, the Trustee may assign, transfer or novate any of its entitlements or commitments under this Loan Arrangement to a successor trustee of the Fund upon the Board's appointment of such trustee, and the Fund and the Lender will carry out necessary actions, if any, to effect such assignment, transfer or novation; and

(b) if the Bank's role as the interim trustee of the Trust Fund will be terminated pursuant to the terms of the GCF Trust Fund Agreement: (i) the Trustee may assign, transfer or novate any of its entitlements or commitments under this Loan Arrangement to a successor as directed by the Secretariat; and (ii) the Fund and the Lender will carry out necessary actions, if any, to effect such assignment, transfer or novation. The Fund will also take all necessary actions to appoint such successor without undue delay. If: (i) the Fund fails to appoint a successor; or (ii) the successor fails to agree to such assignment, transfer or novation, in both cases within six (6) months of termination of the Bank's role as the interim trustee of the Trust Fund, then the Trustee, the Fund and the Lender will promptly accept any other arrangement with a view to winding up the Trustee's affairs in an expeditious manner while avoiding discontinuity in the operations under this Loan Arrangement.

8.7 This Loan Arrangement may be executed in counterparts, each of which is an original and all of which together will be deemed to constitute one and the same instrument.

8.8 If the Board amended or adopted any Applicable Policies, the Fund will notify the Lender and the Trustee if and to the extent that such amended or adopted Applicable Policies contradict with the terms of this Loan Arrangement. The signatories hereto will discuss in good faith to amend this Loan Arrangement as necessary, and such amendments to this Loan Arrangement are to be mutually agreed by the signatories. For the avoidance of doubt, to the extent that any Applicable Policies amended or adopted by the Board relate in any way to the functions of the Trustee performed or to be performed under this Loan Arrangement, the Trustee will not be bound by any such amended or adopted Applicable Policies in the absence of the agreement of the Trustee.

#### **ARTICLE 9 – EFFECTIVENESS AND TERMINATION**

9.1 This Loan Arrangement will come into effect upon (i) signature by the signatories and (ii) submission of a written notification from the Secretariat to the Lender and the Trustee that the Board has confirmed the terms of this Loan Arrangement.

9.2 If this Loan Arrangement will not have come into effect within three hundred and sixty (360) days after the date of this Loan Arrangement, any signatory may give a written notice to the other signatories that this Loan Arrangement will be deemed never to have been signed by any of the signatories, without need of any further writing or notice.

9.3 If this Loan Arrangement has come into effect, this Loan Arrangement and all commitments hereunder will terminate upon the full payment, or write off in accordance with Section 5.2, of all amounts due and payable under this Loan Arrangement and the completion of the reimbursement of Canada's Cushion in accordance with Section 5.2(ii).

#### **ARTICLE 10 – DISPUTE RESOLUTION**

10.1 The entitlements and commitments of the Fund, the Trustee and the Lender under this Loan Arrangement will be administered in accordance with their terms. None of the Fund, the Trustee or the

Lender will be entitled in any proceeding under this Article to assert any claim that any provision of this Loan Arrangement is invalid because of any provision of the Articles of Agreement of the Bank.

10.2 Any dispute, controversy or claim arising out of this Loan Arrangement between the signatories will be settled by negotiation or other mutually accepted mode of settlement.

10.3 The commitments of the Trustee under this Loan Arrangement are not the obligations or commitments of any government or member of the Bank.

10.4 Nothing in this Loan Arrangement will operate as or be construed to constitute a waiver, renunciation or any other modification of any privilege or immunity of:

- (a) the Bank under its Articles of Agreement or under any applicable law;
- (b) the Fund under any privilege or immunity that it may have under its Governing Instrument or under any applicable law, treaty or binding international agreement or instrument; or
- (c) the Lender under applicable law.

IN WITNESS whereof, the signatories hereto, acting through their duly authorized representatives, have caused this Loan Arrangement to be signed in their respective names in three (3) original copies.

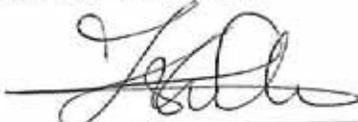
**GOVERNMENT OF CANADA, ACTING THROUGH THE DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND DEVELOPMENT**

By:   
(Authorized Representative)

Date: December 11, 2015

Name: Diane Jacovella  
Title: Assistant Deputy Minister  
Global Issues and Development Branch

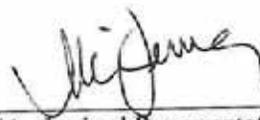
**GREEN CLIMATE FUND**

By:   
(Authorized Representative)

Date: 11 December 2015

Name: Hela Cheikhrouhou  
Title: Executive Director

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

By:   
(Authorized Representative)

Date: 12/9/2015

Name: Mei Leng Chang  
Title: Acting Director  
Trust Funds and Partnerships  
Development Finance

**Annex I**

**Form of Drawdown Request**

*[Trustee's Letterhead]*

*[insert date]*

To: *[Address details of Lender]*

Dear [•],

**Re: Drawdown Request**

We refer to the Loan Arrangement (the "Loan Arrangement") dated *[insert date]* between the Government of Canada, acting through the Department of Foreign Affairs, Trade and Development (the "Lender") as the lender; the Green Climate Fund (the "Fund") as the borrower; and the International Bank for Reconstruction and Development (the "Bank"), serving as the interim trustee (the "Trustee") of the Green Climate Fund Trust Fund (MTO No. 069022)(the "Trust Fund"). Unless otherwise defined in this request, all capitalized terms appearing herein will have the meanings ascribed to them under the Loan Arrangement.

In accordance with the Written Instruction received from the Fund (a copy attached), we hereby request a Drawdown of the Loan in the amount in United States Dollars equivalent to *one hundred and ten million Canadian Dollars (CAD 110,000,000)* on or before *[insert Drawdown Date]*, pursuant to Section 2.3 of the Loan Arrangement.

Please arrange for the proceeds to be deposited on or before *[insert Drawdown Date]* to the following account:

Account Name: [•]

Account Number: [•]

Bank Name and Address: [•]

Swift/BIC code: [•]

Sincerely,

International Bank for Reconstruction and Development, serving as the interim trustee of the Green Climate Fund Trust Fund

Attachment: a copy of the Written Instruction from the Fund

**Annex X: Loan Agreement: Agence Française de Développement,  
acting on behalf and at the risk of the French Government,  
the Green Climate Fund and the International Bank for  
Reconstruction and Development**

Please note that this annex is a scanned PDF version of the original and has been reproduced here without any changes, including the page numbering.

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MTO NUMBER 069022

# Loan Arrangement

among

AGENCE FRANÇAISE DE DÉVELOPPEMENT,  
ACTING ON BEHALF AND AT THE RISK OF THE GOVERNMENT OF FRANCE,

GREEN CLIMATE FUND

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
SERVING AS THE INTERIM TRUSTEE OF THE GREEN CLIMATE FUND TRUST FUND  
CONCERNING THE GREEN CLIMATE FUND TRUST FUND  
(MTO NO. 069022)

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**LOAN AGREEMENT**, dated 9 December 2015, among Agence Française de Développement, acting on behalf and at the risk of the Government of France (the “Lender”) as the lender; the Green Climate Fund (the “Fund”) as the borrower; and the International Bank for Reconstruction and Development (the “Bank”), serving as the interim trustee (“Trustee”) of the Green Climate Fund Trust Fund (MTO No. 069022) (“Trust Fund”).

**WHEREAS** the Board of the Fund has decided that contributions to the Trust Fund may be made in the form of concessional loans to the Fund.

**WHEREAS** the Government of France has decided to contribute to the Trust Fund through a loan provided to the Fund. To this end, the Government of France has mandated Agence Française de Développement to provide and to manage this loan, on behalf and at the risk of the Government of France and in accordance with and subject to the provisions of this Loan Agreement and the Cushion Contribution Agreement.

**NOW, THEREFORE**, the parties hereto hereby agree as follows:

#### **ARTICLE 1 – DEFINITIONS, INTERPRETATION AND CONSTRUCTION**

1.1 Unless otherwise defined herein, all defined terms used herein shall have the meaning ascribed thereto in the Standard Provisions (as hereinafter defined) and in addition the following terms shall have the following meanings:

“Business Day” means any day (other than a Saturday or Sunday) when (a) banks are generally open for business both in Washington, D.C., U.S.A. and in Paris, France, (b) the Bank is generally open for business in Washington, D.C., U.S.A, and (c) the Fund is generally open for business in Songdo, Republic of Korea;

“Cushion Contribution Agreement” means the Amendment dated 9 December 2015 to the France’s Contribution Agreement entered into among the Cushion Contributor, the Fund and the Trustee, in respect of France’s Cushion;

“Cushion Contributor” means the Government of France, acting through the Ministry of Finance and Public Accounts, as the provider of France’s Cushion;

“Drawdown” means the drawdown and payment of the Loan under this Loan Agreement;

“Drawdown Date” means a Business Day on which the proceeds of the Loan are drawn by the Trustee in accordance with Sections 2.2, 2.3 and 2.4;

“Drawdown Request” means a request for Drawdown submitted to the Lender in accordance with Section 2.3, substantially in the form attached hereto as Annex I (Form of Drawdown Request);

“France’s Contribution Agreement” means the Trust Fund Contribution Agreement, effective as of April 28, 2015, entered into among the Government of France, acting through the Ministry of Economy and Finance, as a provider of a Grant Contribution, the Fund and the Trustee;

“France’s Cushion” means any Cushion provided by the Cushion Contributor pursuant to the Cushion Contribution Agreement to support the Loan Contribution provided by the Lender under this Loan Agreement;

“GCF Trust Fund Agreement” means 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 amended from time to time in accordance with its terms;

“Individual Lender’s Loan Reflows” means the portion of Lenders’ Loan Reflows determined by the Secretariat as attributable to the Lender;

“Individual Lender’s Loan Resources” means the portion of Lenders’ Loan Resources that may be used to make repayment of the Outstanding Loan Balance at a given Principal Repayment Date, as determined by the Secretariat in accordance with Section 5.1;

“Lenders’ Loan Reflows” means the portion of the reflows of funds from loans extended by the Fund, as allocated by the Secretariat for Loan Contributions in accordance with the Applicable Policies and paragraph 3.3(e) of the Standard Provisions;

“Lenders’ Loan Resources” means the resources consisting of (a) proceeds from Loan Contributions in the amount determined by the Secretariat as available for making any principal, interest and other payments to be made on the loans under the Loan Agreements/Arrangements, and (b) Lenders’ Loan Reflows;

“Loan” means the loan provided or to be provided to the Fund as borrower, solely for the benefit of the Trust Fund, by the Lender under this Loan Agreement;

“Loan Agreement” means this agreement and its annexes;

“Non-Performing Loan” has the meaning given to it in Section 5.2(i)(A);

“Outstanding Loan Balance” means the principal amount of the Loan drawn by the Trustee and outstanding from time to time;

“Principal Repayment Amount” means for each Principal Repayment Date, the amount of principal of the Loan payable on such date;

“Principal Repayment Date” means each date on which all or any portion of the principal amount of the Loan is payable, as specified in Section 3.2 and as may be revised pursuant to Section 5.2;

“Standard Provisions” means the Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund, incorporated in the GCF Trust Fund Agreement as Annex I, as such standard provisions may be amended from time to time in accordance with its terms;

“TARGET Day” means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer 2 (TARGET2) system, or any successor thereto, is open for payment settlement in Euros; and

“Unpaid Amount” has the meaning given to it in Section 5.2(i)(A).

1.2 In this Loan Agreement, unless the context otherwise requires:

(a) Headings are inserted for convenience of reference only and do not affect the interpretation of this Loan Agreement; and

(b) A reference to a document includes an amendment or supplement to, or replacement or novation of, that document but disregarding any amendment, supplement, replacement or novation made in breach of this Loan Agreement.

## ARTICLE 2 – THE LOAN

2.1 The Lender irrevocably agrees to lend to the Fund, on the terms and conditions set forth or referred to in this Loan Agreement, the Loan in the amount of two hundred and eighty-five million Euros (EUR 285,000,000) for the purpose of making a Loan Contribution to the Trust Fund. For the avoidance of doubt, the Loan Contribution does not constitute a loan to the Trust Fund. The amount of the Loan, including the principal repayments, shall be denominated in Euros.

2.2 The Loan shall consist of one Drawdown. Upon satisfaction of the condition precedent to the Drawdown specified in Section 4.2 and Annex II (Conditions Precedent) to this Loan Agreement, the Lender and the Fund shall agree in writing in advance on the Drawdown Date, which shall, unless otherwise agreed between the Lender and the Fund, fall on a Business Day between 1 February 2017 and 30 November 2017. Notwithstanding the foregoing, the parties acknowledge that as of the date of this Loan Agreement, the Bank's role as the interim trustee of the Trust Fund terminates on 30 April 2018 under paragraph 8.4 of the GCF Trust Fund Agreement. The Trustee will not request any Drawdown of the Loan if the Bank is not the Trustee of the Trust Fund as of the Drawdown Date, in which case the provisions of paragraph 8.6 of the GCF Trust Fund Agreement, paragraph 5.4 of the Standard Provisions and Section 8.6 of this Loan Agreement shall apply.

2.3 Upon agreement by the Lender and the Fund in Section 2.2, the Secretariat shall, by not less than twenty-five (25) Business Days prior to the Drawdown Date, send a Written Instruction, specifying the Drawdown Date to the Trustee. By sending such Written Instruction to the Trustee, the Fund irrevocably and unconditionally authorizes the Trustee, and the Trustee shall, subject to Section 2.2, within ten (10) Business Days from its receipt of such instruction, request the Drawdown of the full amount of the Loan as set out in Section 2.1 by delivering to the Lender a Drawdown Request. If the Drawdown Request is not received by the Lender as specified in this Section 2.3, the Lender shall promptly notify the Fund and the Trustee in writing thereof. If, subsequent to such notice, the Drawdown Request shall not have been received by the Lender at least twenty-five (25) Business Days prior to 31 December 2020, unless agreed otherwise by the Lender and the Fund, the Loan shall be deemed cancelled as of 31 December 2020.

2.4 Upon receipt of the Drawdown Request, the Lender shall, on the Drawdown Date, deposit the amount in Euros into the account designated by the Trustee in the Drawdown Request. When making such deposit, the Lender shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, the deposit instructions which include information indicating: the amount paid, that the payment is made by the Lender for MTO No. 069022 (Green Climate Fund), and the date of the deposit. The Trustee shall promptly notify the Lender and the Fund of the amount of the proceeds it received in Euros. Upon receipt by the Fund of the notification from the Trustee on the amount of the proceeds it received, the Fund shall promptly send a notice to the Lender and the Trustee confirming (i) the amount of the Loan under this Loan Agreement, and (ii) the schedule for its repayment in Euros in accordance with the terms of this Loan Agreement.

2.5 The proceeds of the Loan shall be credited to the Trust Fund as the Loan Contribution by the Lender to be used and administered in accordance with the GCF Trust Fund Agreement. The Lender confirms that it has received a copy of the GCF Trust Fund Agreement.

2.6 The Bank shall act under this Loan Agreement solely in its capacity as trustee of the Trust Fund and neither in its individual or personal capacity nor as borrower, guarantor or surety. The Trustee shall be responsible only for performing those functions specifically set forth in this Loan Agreement and the GCF Trust Fund Agreement, and shall not be subject to any other duties or responsibilities to the Fund or the Lender. The Trustee shall not be responsible for any determination made by the Fund or the Secretariat under this Loan Agreement, and may rely in good faith on any instruction provided by the Fund or the Secretariat under this Loan Agreement without further inquiry or investigation on its part, and shall have no liability for relying in good faith on any such instruction or otherwise for any actions taken, or omitted to be taken, in good faith. Absent any gross negligence or willful misconduct on the part of the Trustee, the Trustee's liability under this Loan Agreement shall in any event be limited to the extent of the resources made available in the Trust Fund pursuant to the GCF Trust Fund Agreement and this Loan Agreement.

### **ARTICLE 3 — TERM AND PRINCIPAL REPAYMENTS**

3.1 No interest shall accrue or be payable on the Loan.

3.2 Subject to the provisions of Section 5.2, the Loan shall be repaid in forty (40) equal semi-annual installments on June 15 and December 15 of each year, with the first such repayment occurring on June 15 or December 15, whichever occurs first following sixty (60) months after the Drawdown Date.

3.3 Upon giving not less than thirty (30) Business Days' prior written notice to the Lender (with a copy to the Trustee), the Fund may prepay the Outstanding Loan Balance, in whole or in part without penalty.

3.4 Unless otherwise specified in the Standard Provisions, the Lender shall not have the right to demand any payment under this Loan Agreement in advance of maturity.

### **ARTICLE 4 — CUSHION**

4.1 The Lender and the Fund acknowledge that the Cushion Contributor shall provide a Contribution in the amount of fifty seven million Euros (EUR 57,000,000) to the Trust Fund to serve as France's Cushion, in accordance with the Cushion Contribution Agreement.

4.2 The payment of the full amount of the France's Cushion specified in Section 4.1 to the Trust Fund by the Cushion Contributor is a condition precedent to Drawdown, as specified in Annex II (Conditions Precedent).

4.3 The Fund shall be responsible for ensuring that France's Cushion is used in accordance with the terms of this Loan Agreement, the Cushion Contribution Agreement and the Applicable Policies. France's Cushion shall only be used to make repayments of the Outstanding Loan Balance due by the Fund to the Lender under this Loan Agreement, and not to any other lenders, as set out in Section 5.2 below.

## ARTICLE 5 – LIMITED RECOURSE; PRINCIPAL REPAYMENT ARRANGEMENTS

5.1 The Lender agrees that any repayment obligations of the Fund hereunder shall be limited to the available Individual Lender's Loan Resources and France's Cushion held in the Trust Fund, and the Lender shall not have any recourse against any other assets of the Fund or the Trust Fund. The Secretariat shall, in accordance with the terms of the Standard Provisions, the Applicable Policies, including International Financial Reporting Standards, and this Loan Agreement, determine the amount of the Individual Lender's Loan Resources and France's Cushion available in the Trust Fund for the purpose of making any repayment of the Outstanding Loan Balance under Sections 3.2, 3.3 and/or 5.2. For the purpose of this Loan Agreement, the Individual Lender's Loan Resources shall be determined, in relation to each Principal Repayment Date, by firstly, deducting from the Lenders' Loan Resources available in the Trust Fund the total amount of resources to be applied for the reimbursement of France's Cushion in accordance with Section 5.2(ii) and for the reimbursement of other lenders' respective Cushions in a similar manner as Section 5.2(ii) at that Principal Repayment Date, as applicable, and secondly, calculating the pro rata share of the remaining Lenders' Loan Resources available in the Trust Fund based on the amount of the payment payable under this Loan Agreement to the Lender at that Principal Repayment Date, relative to the total amounts of payments payable under all Loan Agreements/Arrangements at that Principal Repayment Date.

5.2 (i) If two (2) months prior to any Principal Repayment Date, the Secretariat determines that the Individual Lender's Loan Resources available in the Trust Fund are less than the amount due and payable under this Loan Agreement, the payment on such Principal Repayment Date shall be made only to the extent of such Individual Lender's Loan Resources available, and:

- (A) If the Secretariat determines that any part or all of the insufficient Individual Lender's Loan Resources are due to financial losses from non-performing loans extended by the Fund under paragraph 3.3(d) of the Standard Provisions as determined by the Secretariat ("Non-Performing Loans"), the Secretariat shall (a) use any available France's Cushion to pay the amount representing the difference between the Individual Lender's Loan Resources available in the Trust Fund and the scheduled Principal Repayment Amount (the "Unpaid Amount"), and (b) in the event of insufficient France's Cushion, write off any or all of such portion of the Unpaid Amount.
- (B) If the Secretariat determines, in respect to any Principal Repayment Date other than a last scheduled Principal Repayment Date, that any part or all of the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, the Secretariat shall (a) use any available France's Cushion to pay the Unpaid Amount and (b) in the event of insufficient France's Cushion, carry forward any and all portion of the Unpaid Amount remaining unpaid after (a) above, and add such amount to the scheduled Principal Repayment Amount due and payable at the following Principal Repayment Date and the Outstanding Loan Balance shall be adjusted by the Secretariat accordingly. The Secretariat shall also promptly notify the Lender and the Trustee of the revised schedule for the repayment of the Outstanding Loan Balance to reflect such carrying forward of the Unpaid Amount.

- (C) If the Secretariat determines, in respect of a last scheduled Principal Repayment Date, that the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, and:
- (x) the Secretariat determines that all Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of France's Cushion or written off under Section 5.2(i)(A)) have been collected by the Fund in accordance with Applicable Policies approved by the Board, then any shortfall of the repayment of the Outstanding Loan Balance shall be paid from the then available France's Cushion on the last scheduled Principal Repayment Date, and to the extent there is insufficient available France's Cushion, any shortfall of the repayment of the Outstanding Loan Balance shall be written off by the Secretariat on the last scheduled Principal Repayment Date; or
  - (y) the Secretariat determines that any Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of France's Cushion or written off under Section 5.2(i)(A)) have not been collected by the Fund in accordance with Applicable Policies approved by the Board, then, notwithstanding Section 3.2, the schedule for the remaining repayment of the Outstanding Loan Balance shall be revised by the Secretariat, taking into account the amounts and timing of when such Individual Lender's Loan Reflows are expected to be collected by the Fund as determined by the Secretariat. In such case, the Secretariat shall promptly notify the Lender and the Trustee of the revised schedule for the repayment of the Outstanding Loan Balance on the new Principal Repayment Dates. For greater clarity, the Secretariat may revise the schedule for the remaining repayment of the Outstanding Loan Balance in accordance with this Section 5.2(i)(C)(y) until the Secretariat determines that all Individual Lender's Loan Reflows (excluding those amounts of financial losses from the Non-Performing Loans, against which any portion of the Unpaid Amount has been paid through the use of France's Cushion or written off under Section 5.2(i)(A)) will have been collected by the Fund in accordance with Applicable Policies approved by the Board. Notwithstanding the foregoing, the Secretariat may only revise the payment schedule to the extent that the last Principal Repayment Date under any new schedule shall not extend beyond five (5) years from the original last Principal Repayment Date specified in the notice from the Fund to the Lender and the Trustee pursuant to Section 2.4, unless otherwise agreed in writing by the Lender, the Fund and the Trustee. The provisions of Section 5.2 shall apply to the payments to be made under any new payment schedule. If the payment schedule may not be revised further under this Section 5.2(i)(C)(y), and if the Secretariat determines two (2) months prior to the last Principal Repayment Date thereunder that there are insufficient Individual Lender's Loan Resources, any shortfall of the repayment of the Outstanding Loan Balance shall be paid from the then available

France's Cushion on the last Principal Repayment Date, and to the extent there is insufficient available France's Cushion, any shortfall of the repayment of the Outstanding Loan Balance shall be written off by the Secretariat on the last Principal Repayment Date.

(ii) In the event the Secretariat determines that any amount of the Individual Lender's Loan Reflows, against which any amount of France's Cushion has been used under Sections 5.2(i)(B) and (i)(C)(y) for cases where the insufficient Individual Lender's Loan Resources are due to any reasons other than financial losses from Non-Performing Loans, have been collected, such amount of Individual Lender's Loan Reflows as determined by the Secretariat shall be applied for reimbursing France's Cushion at the immediately following Principal Repayment Date. The reimbursement of France's Cushion under this Section 5.2(ii) may be made up to the date falling five (5) years from the original last Principal Repayment Date specified in the notice from the Fund to the Lender and the Trustee pursuant to Section 2.4, unless otherwise agreed in writing by the Lender, the Fund and the Trustee. If any date of reimbursement falls after all payments to the Lender under this Loan Agreement have been made in full, such amount of reimbursement shall be added to the amount of the Grant Contribution in accordance with paragraph 3.4 of the Standard Provisions.

(iii) Within twenty (20) Business Days prior to the Principal Repayment Date in relation to which any repayment of the Outstanding Loan Balance shall be written off, the Secretariat shall notify the Lender and the Trustee in writing of the amount and the date of the repayment of the Outstanding Loan Balance to be written off. The Lender and the Fund acknowledge that any amount so written off in accordance with the provisions of this Section 5.2 shall no longer be considered due and payable by the Fund to the Lender under this Loan Agreement, following such notification by the Secretariat.

5.3 Following determination by the Secretariat of the available resources under Sections 5.1 and 5.2 above, and no later than ten (10) Business Days, but no earlier than thirty (30) Business Days, prior to any Principal Repayment Date, the Secretariat shall deliver to the Trustee a Written Instruction instructing the amount of repayment of the Outstanding Loan Balance to be made under this Loan Agreement on such Principal Repayment Date. With the Secretariat's delivery of such Written Instruction to the Trustee, the Fund irrevocably and unconditionally authorizes the Trustee, and the Trustee agrees, to process such repayment of the Outstanding Loan Balance in accordance with, and to the extent of, the Written Instruction and in accordance with the provisions of Article 5.

5.4 Subject to the provisions of Section 5.3, the Trustee shall transfer to the Lender, on each Principal Repayment Date and out of the Trust Fund resources held by it, the amount so instructed by the Secretariat in the Written Instruction, as payments under Sections 3.2, 3.3 and/or 5.2, as applicable.

5.5 Except as otherwise agreed by the parties, any payment under this Loan Agreement shall be made in Euros.

5.6 Any payment which is due to be made on a day that is not a Business Day that is a TARGET Day shall be made on the next Business Day that is a TARGET Day.

5.7 All payments by the Trustee under this Loan Agreement shall be paid to the bank account of the Lender designated by the Lender to the Trustee in writing on the date hereof, or to such other account designated by the Lender to the Trustee in writing no less than thirty (30) Business Days prior to a relevant Principal Repayment Date.

5.8 All payments required to be made by the Lender or the Trustee under this Loan Agreement shall be calculated without reference to any set-off and shall be made free and clear of and without any deduction for or on account of any set-off.

5.9 The Fund shall verify, keep record of and track the uses of the Lenders' Loan Resources, the Lenders' Loan Reflows, the Individual Lender's Loan Resources, the Individual Lender's Loan Reflows and the France's Cushion under this Loan Agreement and the Cushion Contribution Agreement. The Fund shall report to the Lender on the uses of such types of resources on a semi-annual basis, unless otherwise agreed between the Fund and the Lender. The Trustee shall neither verify, keep record of, track, nor report on, any uses of such types of resources, and shall not establish any sub-account in the Trust Fund for this purpose. The Trustee shall process any repayment of the Outstanding Loan Balance out of the Trust Fund resources at the Written Instruction from the Secretariat in accordance with Sections 5.3 and 5.4, without regard to types of resources tracked by the Fund, whether Lenders' Loan Resources, Lenders' Loan Reflows, Individual Lender's Loan Resources, Individual Lender's Loan Reflows, France's Cushion or otherwise and without tracking the Contributions made or reflows received during the IRM Period or any subsequent replenishment period.

5.10 The Fund will provide relevant financial information to the Lender in order to support any decision that may be taken to revise repayment schedule under Section 5.2(i)(C)(y), as may be reasonably requested by the Lender.

#### **ARTICLE 6 – REPRESENTATIONS AND WARRANTIES**

6.1 Each of the parties to this Loan Agreement represents and warrants that: (a) it is authorized to enter into this Loan Agreement and to perform its obligations hereunder, and (b) its obligations under this Loan Agreement constitute valid and binding obligations, enforceable in accordance with their terms.

#### **ARTICLE 7 – NOTICES**

7.1 Any notice, request or other communication to be given or made under this Loan Agreement shall be in writing in English language and delivered by mail, facsimile or e-mail to the respective party's address specified below or at any other address as the party notifies in writing to the other parties from time to time:

For the Lender:

Director  
Department of Operational Transversal Issues  
Agence Française de Développement  
5, rue Roland Barthes  
75598 Paris Cedex 12  
France

Tel: +33 1 53 44 45 57  
Fax: +33 1 53 44 38 66  
E-mail: [pouilles-duplaixa@afd.fr](mailto:pouilles-duplaixa@afd.fr)

For the Fund:

Chief Financial Officer  
Green Climate Fund Secretariat  
G-Tower, 175 Art Center-daero  
Yeonsu-gu, Incheon 22004, Republic of Korea

Tel: + 82 32 458 6075  
Fax: + 82 32 458 6094  
E-mail: CFO@gcfund.org

For the Trustee:

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

Tel: +1 202 473-7654  
Fax: +1 202 522-2447  
E-mail: gcfitrustee@worldbank.org

**ARTICLE 8 — AMENDMENTS AND WAIVERS; SEVERABILITY; COUNTERPARTS**

8.1 This Loan Agreement may be amended only in writing among the Fund, the Trustee and the Lender.

8.2 If the Board adopts policies and guidelines that regulate how the Fund will manage its financial risks on a day-to-day basis including liquidity, asset-liability, market and credit risk management (including the debt instruments extended by the Fund), the Fund shall notify the Lender and the Trustee if and to the extent that such policies and guidelines contradict the terms of Sections 5.1, 5.2, 5.9 and/or 5.10 of this Loan Agreement. The parties hereto shall discuss in good faith to amend Sections 5.1, 5.2, 5.9 and/or 5.10 of this Loan Agreement as necessary to reflect the adopted policies and guidelines, and such amendment to be mutually agreed by the parties.

8.3 No failure or delay in exercising any right, power or remedy under this Loan Agreement shall impair such right, power or remedy or operate, or be construed, as a waiver or variation of it or preclude its exercise at any subsequent time, and no single or partial exercise of any right, power or remedy shall preclude any other or further exercises thereof or the exercise of any other right, power or remedy.

8.4 None of the parties shall be deemed to have waived any of its rights under this Loan Agreement, unless expressly so stated in a notice by the party waiving such a right to the other parties.

8.5 This Loan Agreement shall be binding upon and enure to the benefit of the Fund, the Trustee and the Lender and its or any subsequent successors or assignees; provided that, any party to this Loan Agreement may not assign, transfer, novate or dispose of any of its rights or obligations under the Loan Agreement without the prior written consent of the other parties to the Loan Agreement (such consent not to be unreasonably withheld or delayed).

8.6 Notwithstanding Section 8.5 above:

(a) as set forth in paragraph 5.3 of the Standard Provisions, the Trustee may assign, transfer or novate any of its rights or obligations under this Loan Agreement to a successor trustee of the Fund upon the Board's appointment of such trustee, and the Fund and the Lender agree to carry out necessary actions, if any, to effect such assignment, transfer or novation; and

(b) if the Bank's role as the interim trustee of the Trust Fund shall be terminated pursuant to the terms of the GCF Trust Fund Agreement: (i) the Trustee may assign, transfer or novate any of its rights or obligations under this Loan Agreement to a successor as directed by the Secretariat; and (ii) the Fund and the Lender agree to carry out necessary actions, if any, to effect such assignment, transfer or novation. The Fund further agrees to take all necessary actions to appoint such successor without undue delay. If: (i) the Fund fails to appoint a successor; or (ii) the successor fails to agree to such assignment, transfer or novation, in both cases within six (6) months of termination of the Bank's role as the interim trustee of the Trust Fund, then the Trustee, the Fund and the Lender shall promptly agree to any other arrangement with a view to winding up the Trustee's affairs in an expeditious manner while avoiding discontinuity in the operations under this Loan Agreement.

8.7 Any provision of this Loan Agreement which is prohibited, invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, invalidity or unenforceability without invalidating the remaining provisions hereof, and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.8 This Loan Agreement may be executed in counterparts, each of which is an original and all of which together shall be deemed to constitute one and the same instrument.

8.9 If the Board amended or adopted any Applicable Policies, the Fund shall notify the Lender and the Trustee if and to the extent that such amended or adopted Applicable Policies contradict with the terms of the Loan Agreement. The parties hereto shall discuss in good faith to amend the Loan Agreement as necessary, and such amendments to the Loan Agreement are to be mutually agreed by the parties. For the avoidance of doubt, to the extent that any Applicable Policies amended or adopted by the Board relate in any way to the functions of the Trustee performed or to be performed under this Loan Agreement, the Trustee shall not be bound by any such amended or adopted Applicable Policies in the absence of the agreement of the Trustee.

## **ARTICLE 9 — EFFECTIVENESS AND TERMINATION**

9.1 The signature of the Cushion Contribution Agreement by all parties shall be the condition precedent to the execution of this Loan Agreement, as specified in Annex II (Conditions Precedent).

9.2 This Loan Agreement shall come into effect upon (i) signature by the parties and (ii) submission of a written notification from the Secretariat to the Lender and the Trustee that the Board has confirmed the terms of this Loan Agreement.

9.3 If this Loan Agreement shall not have come into effect within three hundred and sixty (360) days after the date of this Loan Agreement, any party may give a written notice to the other parties that this Loan Agreement shall be deemed never to have been signed by any of the parties, without need of any further writing or notice.

9.4 If this Loan Agreement has come into effect, this Loan Agreement and all rights and obligations of the parties hereunder shall terminate upon the full payment, or write off in accordance with Section 5.2, of all amounts due and payable under this Loan Agreement and the completion of the reimbursement of France's Cushion in accordance with Section 5.2(ii).

#### **ARTICLE 10 — ENFORCEABILITY; ARBITRATION**

10.1 The rights and obligations of the Fund, the Trustee and the Lender under this Loan Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or political subdivision thereof to the contrary. Neither the Fund, the Trustee nor the Lender shall be entitled in any proceeding under this Article to assert any claim that any provision of this Loan Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank.

10.2 The terms and conditions of the GCF Trust Fund Agreement, as may be amended from time to time in accordance with its terms, shall apply to this Loan Agreement. In case of any inconsistency between this Loan Agreement and the Standard Provisions, the terms of the Standard Provisions shall prevail.

10.3 Any dispute, controversy or claim arising out of or in connection with this Loan Agreement, which has not been settled amicably by the parties, may be submitted to arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce in effect on the date of this Loan Agreement, and the following provisions:

- (a) the place of arbitration shall be Paris, France; and
- (b) the language of the arbitral proceedings shall be English.

10.4 The award of the Arbitral Tribunal shall be final and binding on the parties and enforceable in any court of competent jurisdiction. The parties shall carry out the award without delay.

10.5 The obligations of the Trustee under this Loan Agreement are not the obligations of any government or member of the Bank.

10.6 Nothing in this Loan Agreement shall operate as or be construed to constitute a waiver, renunciation or any other modification of any privilege or immunity of:

- (a) the Bank under its Articles of Agreement or under any applicable law; or
- (b) the Fund under any privilege or immunity that it may have under its Governing Instrument or under any applicable law, treaty or binding international agreement or instrument.

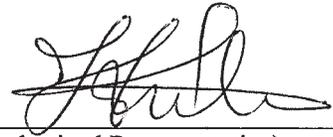
IN WITNESS whereof, the parties hereto, acting through their duly authorized representatives, have caused this Loan Agreement to be signed in their respective names in three (3) original copies.

**AGENCE FRANÇAISE DE DÉVELOPPEMENT**

By:   
(Authorized Representative)  
Name: André Pouillès-Duplaix  
Title: Director of Operational Transversal Issues

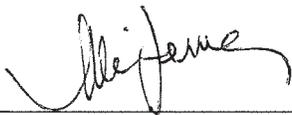
Date: 12/23/2015  
*December 11<sup>th</sup> 2015* 

**GREEN CLIMATE FUND**

By:   
(Authorized Representative)  
Name: Hèla Cheikhrouhou  
Title: Executive Director

Date: 12/11/2015

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

By:   
(Authorized Representative)  
Name: Mei Leng Chang  
Title: Acting Director  
Trust Funds and Partnerships  
Development Finance

Date: 12/9/2015

**Annex I  
Form of Drawdown Request**

[Trustee's Letterhead]

[insert date]

To: [Address details of Lender]

Dear [•],

**Re: Drawdown Request**

We refer to the Loan Agreement (the "Loan Agreement") dated [insert date] between [insert name of Lender] (the "Lender") as the lender; the Green Climate Fund (the "Fund") as the borrower; and the International Bank for Reconstruction and Development (the "Bank"), serving as the interim trustee (the "Trustee") of the Green Climate Fund Trust Fund (MTO No. 069022)(the "Trust Fund"). Unless otherwise defined in this request, all capitalized terms appearing herein shall have the meanings ascribed to them under the Loan Agreement.

In accordance with the Written Instruction received from the Fund (a copy attached), we hereby request a Drawdown of the Loan in the amount of [insert loan currency and amount in words]([insert loan currency and amount in figures]) on [insert Drawdown Date], pursuant to Section 2.3 of the Loan Agreement.

Please arrange for the proceeds to be deposited on [insert Drawdown Date] to the following account:

Account Name:	[•]
Account Number:	[•]
Bank Name and Address:	[•]
Swift/BIC code:	[•]

Sincerely,

International Bank for Reconstruction and Development, serving as the interim trustee of the Green Climate Fund Trust Fund

Attachment: a copy of the Written Instruction from the Fund

**Annex II**  
**Conditions Precedent**

Part I – Condition Precedent for the execution of the Loan Agreement as specified in Section 9.1 of the Loan Agreement:

- a) Delivery by the Fund to the Lender of a copy of the Cushion Contribution Agreement duly executed by the Cushion Contributor, the Fund and the Trustee.

Part II - Condition Precedent to effectiveness of the Loan Agreement as specified in Section 9.2 of the Loan Agreement:

- b) Signature of this Loan Agreement by the parties; and
- c) Submission of a written notification from the Secretariat to the Lender and the Trustee that the Board has confirmed the terms of this Loan Agreement.

Part III – Condition Precedent to the Drawdown as specified in Section 4.2 of the Loan Agreement:

- d) Delivery by the Fund to the Lender of an evidence satisfactory to the Lender that the France's Cushion in the amount of fifty seven million Euros (EUR 57,000,000) has been paid in full by the Cushion Contributor to the Trust Fund.

## Annex XI: Accreditation assessment of Applicant 021 (APL021)

### I. Introduction

1. Applicant 021 (APL021), the Agency for Agricultural Development of Morocco (ADA) based in Morocco, is a national public entity located in a developing country in Africa, which provides action plans and value-added solutions to address agricultural needs at the local and national levels. Its mandate, under the national green plan in place since 2008, is to contribute to social and economic development through more resilient and productive agriculture. The applicant has developed a comprehensive portfolio of climate change related projects and programmes worth approximately US\$ 33 million, which has been financed by bilateral and multilateral organizations. It has implemented projects and programmes in land protection and agricultural management through:

- (a) Expanding agricultural areas and adding value to crop development;
- (b) Promoting the development of agricultural products through new irrigation systems, farm equipment, packaging and marketing;
- (c) Promoting agricultural investments, through for example implementing different partnerships; and
- (d) Promoting local products.

2. The applicant additionally has project management and supervision experience in improving the socioeconomic conditions of small farmers and increasing resilience to climate change through capacity-building, water management improvement, and introducing irrigation techniques and land management, among others. The applicant seeks accreditation to the GCF in order to utilize its experience to further develop and expand its climate change portfolio and reach other vulnerable regions in the country.

3. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 March 2015. Stage I (institutional assessment and completeness check) and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)<sup>3</sup>).

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-

## II. Accreditation assessment

4. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.
5. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

6. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

7. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, has been met by way of fast-track accreditation.
8. Regarding item 4.2.4, the applicant's investigation function is in place and is being further developed. Complaints or allegations of corruption or fraud can be channelled through a dedicated e-mail address and a web-based communications system. If a complaint is deemed to be related to the applicant's activities, it is forwarded to the Finance Director, who will request an investigation. A findings report with recommended actions is developed based on the results of the investigation and once an issue is resolved, the investigated party is informed. The applicant maintains a registry of all communications received, as well as the status of any investigation.
9. The mechanism to receive complaints is well established. Although aligned in general with the standards of the GCF, the procedure to process, investigate and resolve complaints is not sufficiently documented, and is therefore considered insufficiently institutionalized. The applicant did not provide any evidence that case trends are periodically reported to senior management or to the relevant national authority.
10. In addition to the investigation mechanism, there are two external communication channels:
  - (a) The judicial ministry operates a national hotline to receive complaints pertaining to any public entity – including the applicant; and
  - (b) The national corruption prevention authority has a dedicated website that can be used to report acts of corruption.

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specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

11. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

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

## 2.2 Environmental and social safeguards

### 2.2.1 **Section 6.1: Policy**

14. The applicant's environmental and social safeguards (ESS) policy, adopted in 2015, is aligned with the interim ESS of the GCF related to accreditation, and furthermore includes an additional standard focused on climate change issues. Climate change is an important policy element and adaptation measures should be cost-effective, efficient and should contribute to sustainable agriculture. Additional principles were developed in order to reduce carbon emissions and to achieve sustainable development and climate change objectives, and contribute to climate-resilient agricultural practices.

15. The policy describes the objective of each standard, how and when each standard should be implemented, and the project/programme manager's responsibility to oversee and manage risks. The applicant provided project and programme examples to demonstrate the application of its ESS policy and environmental and social (E&S) standards on projects with E&S risks equivalent to GCF medium E&S risk Category B.

16. The ESS policy is shared with all of the applicant's staff and is publically available on the applicant's website.

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

17. The ESS policy provides the E&S risk and impact identification and categorization procedure, and outlines the management system for project-related E&S risks. Projects are categorized in three categories: A (high), B (medium) and C (low or non-existent). The applicant intends to focus on Category B and Category C projects in its engagement with the GCF, if accredited. Based on national laws and regulations, Category B projects require an environmental and social impact assessment (ESIA) procedure.

18. The E&S due diligence steps are conducted in parallel with project implementation. These procedures are detailed in the standard operating procedures manual for various types of projects, and the procedures follow four phases of the project cycle from project identification to monitoring and evaluation. These steps are further detailed during project contracting, when a specific project sheet is completed.

19. The applicant provided various project documents showing its experience in categorizing projects into different E&S risk categories.

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

20. The applicant provided documents to show the process, procedures and action plans by which it undertakes mitigation and management measures for identified environmental and social (E&S) risks. In addition to ESIA and E&S management plan (ESMP) reports, external experts conduct mid-term and project/programme completion audits on the effectiveness of the E&S system. The applicant provided sample reports, which highlight the audit findings and recommendations/action plans.

21. The national environment ministry was appointed by decree as the national institution responsible for environmental audits for projects implemented by the public sector. The audit and inspection functions of the environmental ministry have yet to be fully deployed, and the applicant is already undertaking actions to formalize and institutionalize the process. Moreover, the applicant is planning to audit the effectiveness of its policy in 2016, given that it considers itself to be a national pioneer in environmental management and sustainable development, and has committed to continuously improve its ESS policy and management plan.

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

22. The applicant provided an organizational chart showing key units, departments and personnel (senior and line managers) and reporting lines responsible for implementing the ESS policy. The applicant outlined the education and expertise of various staff responsible for implementing the applicant's ESS policy. The staff of the environment and climate change unit are agronomist engineers and one is a sustainable development engineer. The staff attend professional development seminars, as needed (e.g. Green Week Berlin) and also provide training sessions to other departments and beneficiaries. Currently, the staff manage and monitor E&S issues on 10 internationally-funded projects.

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

23. The team in charge of ESS monitoring tracks the implementation of the ESMP. In addition, the applicant has a project execution manual, which outlines the interim, annual, mid-term and project completion monitoring and evaluation process, and the need for corrective actions, where relevant. The applicant prioritizes projects that protect the environment and projects that show resource efficiency and social equity. All projects implemented by the applicant and its partners are subject to technical and financial audits. External evaluations focus on technical, financial and E&S aspects. The environment ministry must conduct the environmental audit and controls. The provided semi-annual reports and management summaries show the applicant's project progress and the monitoring of results against the ESMP. The applicant provided a report with monitoring information and performance indicators to show the effectiveness of the applicant's E&S management over the last year.

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

24. The applicant has an external communication system to receive inquiries and complaints. There are also internal procedures to screen and assess issues raised, and to provide responses, when required. Neither the applicant nor its executing entities have received inquiries or complaints related to E&S over the last three years.

## 2.3 Gender

25. As a public sector entity, the applicant must comply with the national gender policy and the related gender budgeting. There are other national legislative frameworks that provide guidance to eliminate gender-based discrimination, including the Convention on the Elimination

of All Forms of Discrimination against Women (1993), the revised Family Code, and the revised constitution. The national constitution and strategy affirm equality between women and men, and the integration of a gender perspective into sectoral policies and development programmes, including the agricultural sector.

26. The applicant provided project examples that integrated a gender perspective into the project budget, practices and monitoring arrangements; the examples targeted women's empowerment and provided equitable access to projects and activities. External gender experts are sometimes incorporated in specific projects (e.g. donor-funded projects) and any external expert is supervised by the applicant. The applicant itself does not have an in-house gender expert, but it does have a gender focal point, who is gender competent, and who is tasked with supervising and monitoring project-level gender activities and gender indicators.

### III. Conclusions and recommendation

#### 3.1 Conclusions

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

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards. Even though the applicant has an investigation function, there is a need to strengthen documentation and case-study reporting. The applicant meets the specialized fiduciary standard for project management;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk, Category B/1-2; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy; it has also demonstrated that it has experience with gender and climate change.

#### 3.2 Recommendation on accreditation

28. The AP recommends, for consideration by the Board, applicant APL021 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards; and
    2. Specialized fiduciary standard for project management; and

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<sup>4</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

- (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Approve, through the applicant's board, the policies and procedures that pertain to investigations. The approved policy should contain the following elements:
    - a. Publicly available terms of reference that outline the purpose, authority and accountability of the function;
    - b. Guidelines to process cases, including standardized procedures to handle complaints received and to manage them before, during and after the investigation process; and
    - c. A registry specifically for cases of fraud and corruption;
  2. Publish both (a) and (b) above; and
  3. Formalize the process for periodically reporting case trends.
29. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 27 above, and agrees to the recommendation.

### 3.3 Remarks

30. The applicant is encouraged to seek readiness and preparatory support to assist it to:
- (a) Meet the conditions identified in paragraph 27(b) above.

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<sup>5</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

## Annex XII: Accreditation assessment of Applicant 022 (APL022)

### I. Introduction

1. Applicant 022 (APL022), the Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC), formerly known as the Ministry of Finance and Economic Development, based in Ethiopia, is a national entity located in a least developed country in Africa. Its mandate is to oversee the planning and implementation of development programmes, including those that address climate change. Its activities in climate-resilient development pathways, valued at over US\$ 400 million, include mitigation and adaptation projects and programmes in a variety of sectors, particularly agriculture, water, energy, forestry, buildings, industries and transport. Some of its key activities in these sectors include natural resources management through watershed management, afforestation and reforestation, energy generation and access, and low-carbon transport systems. The applicant houses and has created, jointly with another public sector entity focused on the environment, a designated special purpose facility that will channel its climate investments into the country. Accreditation to the GCF is an opportunity for the applicant to continue developing a climate-resilient economy through the delivery of projects and programmes by working with national and subnational actors. While building its own capacity, the applicant also intends to use its partnerships with regional organizations to share its experiences with other developing countries to prepare them to access climate finance.

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

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** normal track;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)<sup>3</sup>).

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## II. Accreditation assessment

3. The applicant has been assessed against the standards of the GCF by the Accreditation Panel (AP).

4. As a part of this assessment, the AP has consulted the applicant's website as well as the websites of relevant regulators to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. The applicant prepares medium-term strategic plans and there is a system in place for review and reporting on the implementation of these plans. Furthermore, the applicant prepares financial statements in accordance with the requirements established by national laws and regulations.

6. The financial statements prepared are appropriate and are in line with the procedures for a government ministry. The applicant's financial statements are audited annually by the national government auditor and the audit reports provided as supporting evidence contain an unqualified opinion on the financial statements. The applicant has a functioning internal audit unit; the applicant provided evidence that it undertakes adequate action to address observations and recommendations resulting from internal and external audits.

7. The applicant provided satisfactory evidence for a functioning internal control framework. While it does not have a stand-alone cohesive documented internal control framework with specific roles and responsibilities identified therein, the applicant does have the necessary functions and activities comprising internal control systems in line with the national regulations that are embedded in different entities and functions within the national government, including the applicant itself. However, the internal control functions with respect to asset management may be further improved through an overarching documented framework for internal controls that include the items previously mentioned.

8. The applicant follows the national procurement policy and regulations as established by national legislation. An independent government agency responsible for public procurement conducts the audit of procurement activities undertaken by the applicant. In the last audit report of the procurement activities, no major irregularities were reported.

9. The applicant has indicated that all projects and programmes are currently executed, and are also likely to be executed in future, by public sector bodies only, and hence such activities would fall under the purview of the independent government public procurement agency. Therefore, there is currently no provision for oversight or the audit of procurement by executing entities which are not public sector bodies.

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

10. The applicant follows the national code of ethics and has an ethics liaison unit within a ministry for federal ethics and an anti-corruption commission at the highest level for handling issues of ethics and investigation. The investigation function handled by the ethics liaison unit is set up as an independent body. While the applicant has an investigation function, the avenues and tools for reporting suspected ethics violations, misconduct and other kinds of malpractices may be further improved.

11. The applicant, as an entity within a government system, has provisions for handling anti-money laundering (AML) and countering the financing of terrorism (CFT) in line with national regulations. It is linked to the national financial intelligence centre, an autonomous legal entity, which has been established as a dedicated public body to handle AML/CFT issues. Furthermore, given the nature of operations of the applicant, it does not receive any funds from unidentified sources and only engages with bilateral and multilateral agencies. Also, no money transfers are made directly by the applicant itself; such transfers are undertaken through the country's central bank and/or commercial banks designated by the central bank. As the banks are legally required to report transactions above a certain level to the financial intelligence centre, this provides sufficient control in respect of AML/CFT.

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

12. The applicant has a lengthy track record in managing projects and programmes in close cooperation with multilateral and bilateral organizations. The applicant has worked with these organizations to design and appraise projects and programmes with total costs up to a size equivalent to the GCF large size category, for which evidence has been provided. On the basis of the experience gained, the applicant has recently developed a project design and appraisal framework to process its own projects and programmes through its climate change-focused facility, but it has yet to demonstrate its capability and competence to undertake detailed project design and appraisal using the new framework for projects other than those equivalent to the GCF micro<sup>4</sup> size category.

13. Based on the evidence provided, while the applicant has significant experience of designing, planning and implementing programmes and projects in close partnership with multilateral and bilateral agencies, it has only recently undertaken some micro-sized projects on its own. Accordingly, its capacity to handle small, medium,<sup>5</sup> and large-sized projects independently has not been demonstrated.

14. Similarly, the applicant's past experience in monitoring and evaluation (M&E) of projects relates to large-sized projects undertaken in cooperation and collaboration with multilateral and bilateral agencies. To enhance its M&E capacity, the applicant has recently developed a new project M&E framework that will be applied to projects and programmes independently undertaken by the applicant, including those funded by the GCF. This newly developed framework builds on the experience gained and indicates that the applicant is currently still in the process of building its project management capacity to independently plan and implement M&E of larger-sized projects.

15. Considering the applicant's past experience of undertaking medium and large-sized projects and programmes with international organizations and the micro-sized projects that the applicant is independently managing and implementing under its climate change-focused facility, it is concluded that projects of the size not exceeding small should initially be targeted to enhance the applicant's independent project management capacities and gain more practical experience in the application and integration of its frameworks.

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

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<sup>4</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>5</sup> As per annex I to decision B.08/02, "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme".

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

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

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

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

18. The applicant has in place an environmental and social safeguards framework (ESSF) for its designated special purpose facility that will channel its climate investments in the country. This framework is newly endorsed and builds upon the applicant's previous experience in managing bilateral and multilateral climate finance measures. The ESSF is based on the national environmental policy, including sectoral environmental policies, and this is aligned with the interim environmental and social safeguards of the GCF with respect to accreditation.

19. The ESSF has undergone a review and stakeholder consultation, and the applicant is in the process of safeguard implementation, as well as familiarization and capacity-building activities for its facility personnel. Roles and responsibilities of specialized units, for example a technical team and a financial team who collectively ensure the conformity of operations with the applicant's environmental and social (E&S) approach, have been assigned. The applicant provided evidence (completion reports of donor-funded projects) to demonstrate its capability to handle projects in line with the GCF medium E&S risk, Category B/I-2.

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

20. The ESSF provides the E&S risk and impact identification and categorization procedure, and outlines the roles and responsibilities for the safeguard implementation. Project risk categories under the applicant's process comprise three categories, Schedule I to III. Based on its national framework, projects categorized as Schedule II (comparable to GCF medium E&S risk, Category B) require a limited environmental impact assessment (EIA) procedure.

21. The E&S due diligence occurs throughout the project cycle, guiding the process of the screening and categorization of projects, scoping, impact assessment, review, implementation, monitoring, auditing and reporting for facilities' investments. This work will be supported by an environmental and social specialist, to be hired by the applicant to ensure the quality and consistency of the environmental and social due diligence within the teams of the facility's secretariat.

22. Under the auspices of a management committee, the applicant through the facility's secretariat has the overall responsibility for the operation of the project, including the E&S aspects in the projects supported by the applicant.

### 2.2.3 Section 6.3: Management programme

23. The applicant provided its EIA guideline document to show the process, procedures, and action plans it has in place to manage mitigation measures and the identified E&S risks. The EIA process is covered in the guidelines, and sector-specific environmental issues and recommendations for environmental management have been provided. The applicant provided sample reports as a reference for environmental and social performance audits, including environmental and social management plans.

24. The national environment ministry, which functions as the technical team of the facility within the applicant, is the national institution responsible for technical review and environmental audits for projects implemented under the applicant's facility.

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

25. The organizational structure of the applicant is explained in its ESSF defining the roles and responsibilities for implementing its E&S policy and procedures. The core responsibility for E&S issues lies with a designated secretariat within the applicant, which is responsible for the overall management and coordination of all projects financed via the applicant's facility. The facility is coordinated by the applicant and is comprised of two special teams for project support.

26. Utilizing donor funds, the applicant has conducted in the past and will conduct in the future training sessions to foster E&S safeguards implementation, as well as its M&E capacity.

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

27. The monitoring process to systematically track the completion of mitigation and performance improvement measures is laid out in the applicant's ESSF. As the framework is newly endorsed, the applicant provided M&E spot check reports to evidence periodic reporting for projects undertaken by the applicant through its facility. In addition, the applicant has provided further evidence that outlines the project completion M&E process.

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

28. The applicant does not have provisions in place to systematically receive and register external communications, but plans to set up a web-based project register as an avenue for public comments. So far, reports such as EIA, including stakeholder consultation have been posted on the applicant's website or the websites of its line ministries as a means of information disclosure.

29. Going beyond the interim environmental and social safeguards of the GCF related to accreditation (performance standard 1), the applicant's ESSF contains a grievance redress mechanism that intends to seek public comments and resolve complaints raised in its project initiatives. However, such a process has not been implemented so far under the applicant's facility.

### 2.3 Gender

30. The gender policy, as part of the national legislation to which the applicant is required to adhere, provides the policy, legal and institutional framework to safeguard gender equality, and to address and mitigate risks for both women and men. The national constitution and the national policy on women affirm equality between women and men, and integration of a gender perspective into sectoral policies and development programmes. Overall, there is political commitment, legal support and institutional arrangements to mainstream gender.

31. The applicant provided project examples that integrated a gender perspective into the planning and implementation of projects and programmes. The project examples indicate benefits for women and target women's access to the projects.

## III. Conclusions and recommendation

### 3.1 Conclusions

32. Based on the above, it is concluded that the applicant and the various bodies through which it implements projects and programmes, have experience in handling projects of various sizes, on its own (mainly micro) and in cooperation with bilateral and multilateral organizations

(mainly medium and large), in which the external organizations undertake a substantial role with respect to both planning and implementation of the projects. These projects have been categorized as having E&S risks and impacts in accordance with GCF medium and low E&S risks, categories B and C. The applicant is now in the process of building appropriate competencies and capacities so as to handle larger projects completely independently with a clear focus to ultimately manage all sizes of projects on its own. At the same time, the applicant has established its own special-purpose facility to channel and disburse funds to projects and programmes that specifically address climate change. The applicant (through this facility) has recently developed a project management framework as well as a newly endorsed ESSF to streamline all aspects of project management. However, the applicant still needs to build more competencies and gain practical experience in the application and integration of these frameworks via its facility. Given its past experience it is felt that initially this can be done through primarily implementing small-sized projects and activities within a programme. Following its assessment, the AP therefore concludes the following in relation to the application:

- (a) The applicant partially meets the requirements of the GCF basic fiduciary standards. The applicant partially meets the specialized fiduciary standard for project management;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk, Category B/I-2; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy; it has also demonstrated that it has experience with gender and climate change.

## 3.2 Recommendation on accreditation

33. The AP recommends, for consideration by the Board, applicant APL022 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** small<sup>6</sup> (including micro<sup>7</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards; and
    2. Specialized fiduciary standard for project management; and
  - (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>8</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess

<sup>6</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

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

whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:

- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
  1. Finalize the recruitment of an E&S expert to help to oversee the project management cycle under the applicant's facility; and
  2. Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public; and
- (ii) Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016. All information shall be included on an annual basis within a semi-annual progress report consistent with the requirements of the GCF monitoring and accountability framework for accredited entities:<sup>9</sup>
  1. Report progress in respect of all projects and programmes being undertaken. The report should include information on:
    - a. Progress on activities vis-à-vis a plan with specific indicators;
    - b. Budget variances and analysis;
    - c. Major risks and issues, if any, that may or are impacting the execution of a project/programme; and
    - d. Brief qualitative write-up, including the likelihood of the project achieving its planned objectives (results, budget and schedule);
  2. Provide the annual audit reports of projects/programmes, including verification of assets, prepared by the office of the federal auditor general within four months of the close of each year to the GCF; and
  3. Provide the annual audit reports on procurement related to projects/programmes where substantial procurement has been undertaken by an executing entity, which is not a public sector body, to the GCF.

34. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 33 above, and agrees to the recommendation.

### 3.3 Remarks

35. The AP notes the applicant's keen interest in developing and implementing climate change projects and programmes that are medium and large in size. Recognizing that the applicant has experience in medium and large-sized projects, albeit primarily in cooperation with international organizations, the AP encourages the applicant to continue enhancing its financial, environmental and social policies and procedures, and to build capacity to allow it to independently develop and manage projects and programmes of medium and large sizes. With the possibility to apply in the future for an upgrade of its accreditation type from small to medium-sized projects and activities within a programme, the applicant should consider the provision of evidence as proof of its capability to independently manage medium-sized

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<sup>9</sup> Decision B.11/10.

projects/activities within a programme. This evidence may be provided in the form of an independent evaluation report for a small-sized project undertaken independently by the applicant using the project management framework recently developed for use by the applicant's facility. The evaluation should be undertaken by an independent party, which may include a consultant or consultancy firm appointed on the basis of an international tender. The evaluation should cover a reasonable project execution period, including:

- (a) Project design and appraisal;
- (b) Project planning and implementation;
- (c) Project administration and execution;
- (d) Project M&E; and
- (e) Associated corrective actions.

36. The AP would reassess the applicant's capacity to satisfactorily execute projects on the basis of this evaluation report and any other supporting evidence provided at the time. Based on a satisfactory outcome, the AP could recommend the applicant for an upgrade of its accreditation type, as defined in paragraph 33(a) above, for a higher size category (e.g. medium or large) to the Board for its consideration and decision-making.

37. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 33 above.

## Annex XIII: Accreditation assessment of Applicant 023 (APL023)

### I. Introduction

1. Applicant 023 (APL023), the National Environment Management Authority of Kenya (NEMA) based in Kenya, is a national entity located in a developing country in Africa that was established in 2002 with the objectives of supervising and coordinating environmental activities and serving as the main national body to implement environmental policies in all sectors within the country. In addition to its role as an environmental regulatory body, the applicant additionally implements its own projects. The applicant has vast experience in the field of climate change adaptation and mitigation, co-implementing projects ranging from US\$ 10 million to US\$ 255 million with local and international organizations. Some of its past and current activities include building resilience to climate change and adaptive capacity of vulnerable communities, environmental management, coastal development, technical assistance and natural resource management. If accredited to the GCF, the applicant will develop country priority projects in line with the country's 2030 vision, national strategies on climate response and green growth, and the country's climate change action plan. In particular, projects would be developed in the forestry, electricity, transportation, energy demand, agriculture and industrial processes sectors – six sectors identified as priorities based on their potential to mitigate greenhouse gas emissions by 2030. Accreditation to the GCF would allow the applicant to drive a paradigm shift towards low-emission and climate-resilient development pathways in its country.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 May 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority nomination for its accreditation application;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2))<sup>3</sup>.

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed against standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, has been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant's investigation function is in compliance with the country's laws and operationalized through the applicant's internal procedures and manuals. The applicant has detailed mechanisms and procedures in place in order to undertake investigations of misconduct. The procedure to investigate, process and resolve cases of misconduct is based on the functioning of a disciplinary committee that advises the Director General. For corruption-related cases, the disciplinary committee may recommend that such a case be handled by the national anti-corruption commission. Additionally, the applicant has an established anti-corruption committee and integrity assurance officers that provide oversight and further assurance regarding the prevention of corruption and unethical behavior.

8. The applicant has established mechanisms to receive complaints regarding cases of misconduct, including e-mail addresses and dedicated telephone lines, complaint boxes and employee reports of misconduct for filing corruption complaints.

9. The applicant provided information on cases reported and actions taken.

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

10. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

12. The applicant did not apply for accreditation against this standard at this time.

### 2.2 Environmental and social safeguards

#### 2.2.1 Section 6.1: Policy

13. The applicant is subject to national environmental and social (E&S) laws in which it is located. These are further supplemented by sector-specific legislation and national guidelines for environmental assessments. The applicant's overarching environmental objectives and principles are articulated in its environmental sustainable policy. The policy is supplemented by guidelines which have been institutionalized for over a decade, and constitute its current environmental and social management system (ESMS) comprising guidelines for environmental and social impact assessments (ESIAs), and strategic environmental assessments. The ESIA guidelines encompass procedures for project screening and categorization, impacts assessment and mitigation measures, public consultations, and monitoring and evaluation of projects over their life cycle. The strategic environmental assessment guidelines are applicable to assess the environmental impacts of policies, programmes and plans. All these guidelines constitute the applicant's E&S risks and impacts assessment, mitigation and management, and monitoring and evaluation procedures, including public consultation requirements, which are in line with the environmental and social safeguards of the GCF related to accreditation.

14. Moreover, as evidence of implementing these laws and guidelines, the applicant provided information on its work with a number of international financial institutions and bilateral agencies on projects/programmes that cover aspects of identifying and managing E&S risks.

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

15. The applicant, as required by national law and as a national regulatory authority, screens and approves E&S risk categories of projects/programmes, and subsequently conducts audits of selected medium risk (equivalent to GCF E&S risk Category B) projects/programmes. The audit reports are reviewed using its audit review guidelines, including its approval process.

16. The applicant also implements projects and programmes on natural resource management, either on its own or with other regional and/or international partners. The applicant carries out ESIA's for such projects/programmes in which it participates with international and bilateral institutions. The applicant has provided examples of environmental and social impact assessments, and environmental and social management frameworks which demonstrate its experience and track record in assessing a range of E&S risk categories in projects/programmes that were within the micro and small<sup>4</sup> sizes for a project or activity within a programme.

#### 2.2.3 Section 6.3: Management programme

17. The applicant provided evidence of its process to manage mitigation measures for E&S risks and impacts in the form of several E&S audit reports reviewed and cleared by the applicant in line with its mandate. The evidence also includes environmental compliance certificates issued and any further actions implemented where non-compliance was identified.

18. The applicant also provided documentation for projects ranging in size from micro to small that it has implemented jointly with its regional and international partners, which also include its management programmes for mitigation measures for E&S risks and impacts.

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

19. As a national regulatory authority, the applicant which was established over a decade ago and has a well-established organizational structure with a compliance and enforcement department of over 30 staff with skills and competency across several sectors. Its primary

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<sup>4</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

responsibility is to ensure adherence by sponsors of projects implemented in the country with the country's E&S regulations. The department has direct responsibility for implementing ESMS components related to monitoring and reviewing E&S audits. The applicant has a separate department with the responsibility of raising public awareness and capacity-building around the country.

20. The applicant has E&S staff who are involved in managing E&S mitigation and monitoring in projects and programmes which it implements on its own or where there is an implementing partner in projects/programmes funded by international institutions. Evidence of internal training and development programmes for relevant staff was also provided.

#### 2.2.5 Section 6.5: Monitoring and review

21. The applicant's strategic plan for 2013 to 2018 demonstrates its process for monitoring and measuring the effectiveness of its management of projects/programmes. The applicant's past three years' performance against set activities and related targets/metrics is also presented in the plan and in recent annual environmental performance reports, which describe the country's state of the environment, including its performance, recommendations for improvement and future outlook on environmental matters by various sectors.

22. In addition to its role as the country's environmental regulatory agency, the applicant also provided documentation for projects ranging in size from micro to small that it has implemented jointly with its regional and international partners, which also include its management and monitoring programmes for mitigation measures for E&S risks and impacts.

#### 2.2.6 Section 6.6: External communications

23. In line with the applicant's national communication strategy, it maintains several means (e.g. website, e-mail address, Twitter account and walk-ins from the public) for receiving and registering feedback or complaints from the public related to E&S issues. It has established a procedure for receiving complaints, including its purpose, scope and responsibility for response. The applicant maintains a register to file and record complaints that range from noise pollution and waste dumping, among other issues, in order to determine the level of response required. It also maintains a public satisfaction survey on its website.

## 2.3 Gender

24. The applicant developed a gender policy in 2013 which addresses gender mainstreaming within its own institution as well as in the projects/programmes it implements. The main aim of the policy is to engender its environmental-related policies, plans and programmes, ensure that its institutional work is gender sensitive and responsive, and the country's natural resources are managed in a gender-sensitive manner. The implementation of its gender policy is overseen by a gender committee within the organization. In 2014, the applicant commissioned an assessment of its gender mainstreaming resulting in a recommendation that the applicant should formulate a gender development plan for gender mainstreaming that includes:

- (a) A review of all the existing policies, guidelines, programmes and procedures;
- (b) Incorporation of gender considerations into each phase of the interventions (e.g. identification, planning, implementation and monitoring and evaluation);
- (c) Ensure a workable budget for all the gender-specific activities; and
- (d) Clearly document and segregate data and information on gender mainstreaming experiences and put this in the public domain.

25. The applicant demonstrated its experience with gender considerations in an approximately US\$ 10 million climate change project, which includes social benefits and redresses gender imbalance through the non-discriminatory selection criteria of beneficiaries with the aim of ensuring that a minimum of 50 per cent of staff will be women.

### III. Conclusions and recommendation

#### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management;
- (b) The applicant partially meets the requirements of the interim environmental and social safeguards of the GCF in relation to medium E&S risk, Category B/I-2. In its assessment, the AP concludes that while the applicant has a wide-ranging ESMS (performance standard 1), it has limited experience in applying the full scope of project-specific performance standards 2 to 8; and
- (c) The applicant has a gender policy and operational procedures to implement it in line with the gender policy of the GCF and its E&S staff have undergone gender training. However, it has limited competencies and experience by which to implement its own gender policy and procedures, as evident from its gender assessment study. The applicant has limited experience in mainstreaming gender in its operations.

#### 3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, applicant APL023 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** micro;
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards; and
    - 2. Specialized fiduciary standard for project management; and
  - (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.

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<sup>5</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
  - 1. Use external support, including that from co-financiers, acceptable to the GCF, to help to prepare projects or programmes that invoke any of performance standards 2 to 8.

28. The applicant has been informed of the recommendation regarding accreditation, including the accreditation type and condition(s), as identified in paragraph 27 above, and agrees to the recommendation.

### 3.3 Remarks

29. The applicant is requested to share key features of its gender development plan, as and when it is finalized, including efforts the applicant has made to enhance the capacities of its staff on gender-related programming.

30. The applicant is encouraged to seek readiness and preparatory support to assist it with:

- (a) Meeting the conditions identified in paragraph 27(b) above.

## Annex XIV: Accreditation assessment of Applicant 024 (APL024)

### I. Introduction

1. Applicant 0024 (APL0024), the Development Bank of Southern Africa (DBSA) based in South Africa, is a national entity, specifically a development finance institution, with a mandate to finance both private and public sector activities at national and regional levels in Africa. The applicant provides sustainable infrastructure project preparation, finance and implementation support in order to improve the population's quality of life, accelerating the sustainable reduction of poverty and inequity, and promoting broad-based economic growth and regional economic integration. The applicant primarily focuses on the water, energy, transport, and information and communication technology sectors. It offers secondary services at the local level in the health, education and housing sectors. Its environment and climate change portfolio for the financial year 2014/2015 is worth approximately US\$ 530 million and includes renewable energy, energy efficiency, biodiversity and sustainable land management projects. The applicant in partnership with the national environmental affairs department has established and manages a special fund as a national mechanism that aims to provide catalytic finance to facilitate investment in high-impact and sustainable green initiatives in the country in which it is based, as well as to support poverty reduction and job creation. The applicant seeks accreditation to the GCF to support, as a co-financier and provider of technical capabilities and support, the GCF in acting as a key contributor to innovative and risk-sharing approaches in projects that contribute towards low-carbon and climate-resilient development.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 April 2015. Stage I, institutional assessment and completeness check, and the Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited against the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, regional. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** fast track under the Global Environment Facility (GEF) and the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO);
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)<sup>3</sup>).

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF agency and Directorate-General for International Development and Cooperation of the European Commission entity. Its application has been assessed against GCF standards by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

7. Regarding item 4.2.5, the applicant has comprehensive AML/CFT policies, which are required under the country's laws. To combat money-laundering and the financing of terrorism, the applicant carries out 'know-your-customer' (KYC) due diligence on all of its prospective and existing clients. The applicant's KYC due diligence procedures are set out in its AML/CFT policies. The KYC due diligence process involves the verification of the beneficiary legal entity, its directors, and the beneficiaries' shareholders with a shareholding of more than 25 per cent, as well as verification of the residential address for the individual client. Additionally, the applicant's compliance unit conducts a sanctions screening using the Dow Jones system to verify whether the beneficiary, shareholders or its directors are listed on any of the sanction lists. In addition to KYC due diligence, the applicant routinely monitors electronic funds transfer in collaboration with the country's central bank, specifically its departments responsible for financial surveillance and intelligence. Furthermore, the applicant verifies the beneficiary's banking details by requesting a stamped letter from the bank confirming the beneficiary's banking details. Sample copies of recent reports on KYC due diligence undertaken were provided as evidence of the applicant implementing its policy.

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

8. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

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

9. As per paragraph 3 above, the specialized fiduciary standard for grant award and/or funding allocation mechanism is considered to have been met by way of fast-track accreditation.

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

10. The applicant has a proven track record, institutional experience and capacities for on-lending and blending with resources from international or multilateral sources. The applicant has well-documented policies, guidelines and procedures with clearly defined institutional roles and responsibilities for its on-lending and blending operations. The examples of due diligence reports on on-lending and blending operations provided clearly show effective use of and compliance with the established policies and procedures.

11. The applicant has suitable investment management policies, guidelines and procedures in place, which:

- (a) Ensure sound investment management, including analysis of the lending portfolio of the intermediaries to which it provides resources; and
- (b) Aim to provide assurance that the GCFs provided by the applicant are channelled transparently and used effectively.

12. The applicant has also demonstrated sound financial risk and management policies, procedures and governance/organizational structures that ensure appropriate segregation of duties of the treasury function and operations. In relation to its systems for providing the general public with access to information on its on-lending and blending operations, the applicant publishes information on beneficiaries, as well as the results of the projects and programmes it finances.

## 2.2 Environmental and social safeguards

### 2.2.1 **Section 6.1: Policy**

13. The applicant has a well-established environmental and social management system (ESMS) in place, the development and approval of which was based on the experience gained and lessons learned by other international development organizations. As a part of its ESMS, the applicant has a well-developed environmental and social safeguards (ESS) policy based on a set of the comprehensive ESS standards and sector-specific guidelines. The policy commits the applicant to ensure that it has the necessary systems in place to implement its ESS and that it periodically updates and revises the safeguards. The policy is well communicated to all staff in the organization and is publically available on the applicant's website. The ESS policy is fully consistent with the interim ESS of the GCF.

14. The ESS policy is complemented by the institutional and social appraisal guidelines, which are employed to ensure that the applicant promotes sustainable development throughout its operations by conducting environmental and social (E&S) project appraisals in a consistent manner.

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

15. The applicant has a well-developed and comprehensive E&S risk and impacts the identification and categorization process that is fully consistent with the interim ESS of the GCF. The risk identification and categorization process was outlined in the applicant's procedures for implementing its ESS standards, environmental appraisal framework, and social and institutional guidelines. These standards are supported by a number of sectoral guidelines and

terms of reference for particular sectors, such as ecosystem, forest, water and land resource, water and waste utilization, and pest management, among others. Evidence of the applicant's experience in conducting E&S risk and impact assessment and categorization was provided in the form of appraisal reports on specific projects and programmes that were developed within the past three years. The applicant's senior management reviews each integrated appraisal project report to ensure the quality of input and consistency of categorization. The E&S risk and impact identification process set out in the environmental assessment document is consistent with the interim ESS of the GCF related to accreditation (performance standard 1) and the project/programme level (performance standards 2 to 8).

#### 2.2.3 Section 6.3: Management programme

16. Mitigation measures for identified project or programme E&S risks and impacts are managed using clearly established procedures that include the assignment of roles for responsible staff. The E&S risk mitigation measures and actions are part of the E&S management plans that are developed and implemented for each project through supervision by managers of the corresponding units.

17. The applicant also provided evidence of its ESMS implementation and of the effectiveness of its E&S management programme in the form of project portfolio documents that contain the assessment of E&S risks, which are in line with the interim ESS of the GCF, E&S issues identified in project monitoring during implementation site visits, and recommendations and actions taken to address these issues. Unit managers are ultimately responsible for the implementation of the applicant's ESS in the applicant's projects and programmes, and the divisional managers and the group executive manager sign the final reports on the implementation of the E&S management programme.

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

18. The applicant has a clear organizational structure with respect to E&S management and the information provided on the executive management responsible for overseeing the implementation of ESMS, ESS policy and ESS standards. The applicant's E&S team consists of qualified, skilled and experienced energy, social and environmental analysts and country risk analysts. The environmental analysts and social specialists attend various training workshops on the ESS continuously, climate change mitigation and adaptation projects, sustainable land-use planning, international environmental law and E&S management tools.

19. The applicant ensures that the E&S risk and impact categorization of projects is completed by social and environmental analysts, who conduct regular training programmes for staff responsible for E&S management issues, including the implementation of ESS standards.

#### 2.2.5 Section 6.5: Monitoring and review

20. The applicant has a mature monitoring and evaluation policy framework, which defines the principles that guide E&S monitoring for projects or programmes implemented. The applicant has demonstrated that the monitoring sections of E&S management plans provide comprehensive analyses of the technical details of monitoring E&S risk mitigation measures, and incorporate methods to identify particular E&S issues, including corrective actions. The implementation of the monitoring guidelines was demonstrated through third-party annual E&S reports on the capital funds managed by the applicant, which contain a description of the applicant's portfolio companies and recommendations for E&S management improvements for these companies, as well as the evidence that the E&S management has implemented corresponding corrective actions.

#### 2.2.6 Section 6.6: External communications

21. The applicant has recently established a grievance procedure on managing and responding to complaints received related to the implementation of projects or programmes funded or implemented by the applicant. Complaints can be reported electronically on the applicant's website, via e-mail or in writing. The designated focal point will acknowledge receipt of the complaint and inform the complainant of the process that will be followed in order to address the issue. In the event that the feedback is found to be unsatisfactory, the complainant has the option of escalating the complaint to the manager of the applicant's stakeholder relations department.

22. The applicant is in the process of putting in place a provision on its website to receive and register external communications, which will include the establishment of a complaints register, as well as the necessary infrastructure to begin implementing its grievance procedure.

## 2.3 Gender

23. The applicant has a comprehensive gender policy in place that encourages gender sensitivity in the appraisal and financing of projects. The guidelines provide a gender-sensitive approach for conducting a gender analysis, based on scientific models of projects at the appraisal stage. The applicant's approach towards gender mainstreaming is fully consistent with the gender policy principles of the GCF. The gender policy, as along with corresponding guidelines and tools, are continuously updated.

24. In addition, the applicant provides training on its gender policy and project-level gender analyses to relevant staff, such as project managers, environmental analysts and others. The applicant requires that the individuals who are responsible for gender-related activities attend thematic workshops and training sessions that are organized by other organizations.

25. The applicant tracks the implementation of gender-sensitive approaches for particular projects and programmes. It has reported on the benefits that were obtained by women in projects that it implemented by providing site visit reports for several projects related to electricity generation, agricultural development and waste management.

## III. Conclusions and recommendation

### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to high E&S risk, Category A/I-1; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender consideration in the context of climate change.

### 3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, applicant APL024 for accreditation as follows:

(a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
- (ii) **Fiduciary functions:**
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management;
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (iii) **Environmental and social risk category:** high risk (Category A/I-1 (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).

(b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.

- (i) Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
  - 1. Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public.

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

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

### 3.3 Remarks

29. The AP notes that the applicant has well-developed internal E&S training programmes for its employees. The applicant is encouraged to share such experience with the financial institutions in the region in this regard.
30. The applicant is encouraged to seek readiness and preparatory support to assist it to:
  - (a) Meet the conditions identified in paragraph 27(b) above.

## Annex XV: Accreditation assessment of Applicant 025 (APL025)

### I. Introduction

1. Applicant 025 (APL025), Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB) headquartered in France, is an international commercial bank headquartered in Europe, with experience in corporate and investment banking and a presence in 33 countries, covering Africa, Latin America and the Asia-Pacific region, among others. The applicant has a well-established track record in implementing private and public sector investment opportunities. Climate change is a key focus of its group policy as it is one of the 10 founding banks of the Equator Principles and one of the four banks that initiated the Green Bond Principles in 2013. In 2014, the applicant committed to arrange more than US\$ 20 billion in new structured financing by the end of 2015 to combat climate change, as well as to measure and disclose the carbon footprint of its financing portfolio. In particular, it has financed and managed sustainable development initiatives in the areas of renewable energy, sustainable transport solutions, certified green buildings and water supply. In the past year, the applicant has financed 85 renewable energy projects worth US\$ 2.7 billion. The applicant seeks accreditation to the GCF in order to contribute to the objectives of the GCF by mobilizing funds through a variety of instruments, structuring capabilities to explore and develop new schemes facilitating the financing of climate-related projects in developing and vulnerable countries, and ultimately enhancing beneficiary countries' awareness, ownership and implementing capacities.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1))<sup>3</sup>.

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## II. Accreditation assessment

3. The applicant has been assessed against the standards of the GCF by the Accreditation Panel (AP).
4. As a part of this assessment, the AP has consulted the applicant's website, as well the websites of relevant regulators to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. The applicant's organizational and corporate governance structure is appropriate for the size and scope of its activities. At the board level, there are three committees: risk, audit and compensation. The applicant's internal control framework is well developed based on the regulatory requirements issued by both banking and market regulators, and the recommendations issued by the Basel Committee on Banking Supervision. Evidence has been provided of an effective internal control framework that defines control responsibilities at the operational level and at the independent oversight level.
6. The applicant has an independent risk management function and an internal audit function that report to corresponding units in the parent company's risk organization.
7. The applicant has the required organizational structure and technological infrastructure to provide timely information for the effective management of risk, and for internal, regulatory and external reporting. This ensures that the applicant has appropriate management oversight and control over its activities.
8. The applicant's external auditors have provided assurance that international financial standards are correctly applied in the preparation of financial statements. Furthermore, the external auditors have issued opinions with no objections regarding the applicant's internal control report and financial statements.
9. The applicant's global procurement department has oversight over all purchasing activities undertaken and has implemented a standardized procurement process. The procurement function has two main objectives: to contribute to the established cost-efficiency targets; and to manage procurement risks. The applicant's procurement policy indicates the ethical standards that must be observed for all procurement activities.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

10. The applicant has a published code of ethics that is communicated throughout the organization, which defines the conduct expectations and applies to every staff member. Furthermore, within the compliance department, there is a unit responsible for ensuring organizational compliance with the expected ethical standards.
11. The applicant has implemented the organizational structure and control framework that demonstrate a zero-tolerance policy towards violations of its code of ethics and of its established control procedures. The applicant has an independent anti-fraud prevention unit that assists the control functions in the performance of their duties. Furthermore, the applicant has a formal procedure for reporting incidents of non-observance of the established operating procedures and breaches of the internal controls. All employees have the responsibility to report any incident they observe; these incidents are recorded in the applicant's incident

reporting tool, are appropriately investigated, and an incident manager is assigned for the implementation of corrective measures.

12. The applicant's anti-money laundering (AML) and countering the financing of terrorism (CFT) policies are based on regulatory requirements as well as international best practice standards, specifically the 40 recommendations of the Financial Action Task Force and the requirements of the regulators in the countries where the applicant operates.

13. The global compliance department is responsible for AML/CFT activities. The applicant has adopted a risk-based approach in which the risk of customers, industries and countries is assessed in determining the scope of the "know-your-customer" (KYC) due diligence and AML/CFT monitoring efforts. The policy provided by the applicant defines the due diligence requirements, both standard and enhanced, depending on the risk criteria. The applicant has implemented a single KYC system that allows for the integration of KYC information on a global group-wide basis. The KYC obligations include ongoing vigilance to monitor business relationships; special attention is given to international flows and compliance with regulations on embargoes, asset freezes and payer information. Further, the applicant applies basic principles regarding SWIFT payment messages adopted by the Wolfsburg Group.

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

14. The applicant demonstrates a long track record and experience in project finance, with demonstrated expertise in assessing project viability, developing the appropriate financial structure and monitoring project performance during the development and operational stages. The applicant has co-financed projects with private and public sector co-investors, as well as with regional and international development entities.

15. The applicant has well-developed processes to identify potential projects, identify and evaluate project risks, develop the appropriate financial structure and attract co-investors to secure the GCFs required for a given project.

16. The evaluation of project finance transactions involves the participation of the business lines as well as the independent opinion of the risk department. The project evaluation is summarized in a credit request that includes a detailed description of the project and its main risks, as well as the assignment of a risk rating. Based on the information contained in the credit request document and the independent opinion of the risk department, the appropriate credit committee is responsible for approving the transaction.

17. The applicant's procedures to monitor projects during the development phase, as well as during the operational phase, ensure that appropriate oversight is exercised and that project risks are appropriately managed. Responsibility for monitoring projects is assigned to the business lines and the independent risk department. The main mechanisms used by the applicant to monitor projects are:

- (a) Project annual reviews that include the assessment of project status and compliance with project finance covenants and key performance indicators (the business lines and the risk department participate in each annual review);
- (b) During the annual review or if significant events occur, the risk rating of the project may be re-evaluated;
- (c) Independent technical project assessments are commissioned when required;
- (d) Software tools are used to manage compliance with project reporting requirements and financial covenants; and
- (e) In addition, the applicant's risk department undertakes annual loan portfolio reviews, including reviews of the project finance portfolio.

18. The applicant has noted that its project financing operations are subject to confidentiality clauses and project details are not publicly disclosed. The applicant further states that all public disclosures are managed by the project sponsor, and in special cases where the applicant itself publishes project details, it does so with the express consent of the project sponsor.

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

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

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

20. The applicant is a global financial institution that is subject to regulation in several jurisdictions. Additionally, the applicant has implemented risk management policies aligned with the recommendations of the Basel Committee on Banking Supervision. The regulatory requirements, as well as the adoption of international best practices, provide assurance that the applicant has effective controls over the third-party funds it manages.

21. The applicant's processes for financial and risk management policies are well-developed and supported by both the independence of the risk management and the internal audit functions. Furthermore, the applicant has an established unit that specializes in fraud prevention.

22. The applicant's on-lending operations for project finance consist of preparing and presenting proposals to potential investors, and based on the information provided, each investor is responsible for making a decision to participate or not. Each investor that participates in the project finance transaction assumes the project risk: the applicant does not record the GCFs it receives as a liability in its balance sheet.

23. The applicant provided ample evidence of its expertise in successfully structuring and closing project finance transactions. These transactions require securing funds from various sources and the use of a variety of instruments (loans, guarantees and equity investments). The applicant's credibility to attract investors to co-finance the transactions it structures is demonstrated by the global market leadership position it has attained.

24. The applicant has been rated with an investment grade rating by all three major rating agencies (Moody's, Standard & Poor's and Fitch).

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

25. The applicant's environmental policy is included in its public register, which provides financial analysts, institutional investors and shareholders with information to make an informed judgment about the company. The register contains its overall environmental and social (E&S) objectives and principles and its requirements to adhere to the Equator Principles III. This is further underpinned in the register with policy statements on various E&S thematic areas such as climate change, including tracking carbon footprints, biodiversity protection, relationship with civil society organizations, human rights, green and sustainable bonds and corporate social responsibility. The applicant is one of 10 founding banks of the Equator Principles, adopted in June 2003, and one of the five financial institutions to have launched the Climate Principles in June 2014. The applicant has demonstrated experience in implementing the environmental and social safeguards (ESS) of the GCF on a variety of projects.

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

26. The applicant's E&S risk categorization system is based on the Equator Principles and is consistent with the ESS of the GCF. Its 2014 register document describes this procedure based on the application of the three-tier Equator Principles (E&S risk Categories A, B and C). Samples of Equator Principles categorization and assessment against the performance standards have been provided for a natural gas cogeneration plant and a transmission line project. The E&S due diligence reports for these projects are also provided, which show conformance with the Equator Principles. Responsibility for the identification of E&S risks lies with the applicant's E&S risks evaluation committee (ESRE), which passes on its recommendation to the credit committee.

#### 2.2.3 Section 6.3: Management programme

27. At the institutional level, E&S risk management is embedded in the applicant's overall risk management function. The applicant relies on independent external consultants for conducting the E&S due diligence of projects it intends to invest in and the findings are forwarded to the ESRE committee for endorsement and/or to extend the mitigation measures where necessary. After the project closing stage, the applicant's business unit sends the information to the sustainable development unit to capture the E&S findings on a portfolio basis in its annual report as part of monitoring and reporting.

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

28. The applicant regularly carries out sustainability training for all its business unit staff who are in charge of the applicant's environmental and social management system at the investment level. The business unit staff are supported by external E&S consultants who carry out E&S due diligence and report to the ESRE committee to validate their recommendations and onwards to the sustainable development department, which is headed by a competent and highly experienced person with long-standing experience with application of the Equator Principles. Further training on the Equator Principles and on corporate and social responsibility are planned as a high-priority programme in 2015.

#### 2.2.5 Section 6.5: Monitoring and review

29. The applicant tracks its borrowers' compliance with respect to E&S covenants using a dedicated monitoring tool. All projects, regardless of their E&S risk category, are reviewed by the ESRE committee. High E&S risk Category A projects are reviewed by the ESRE committee at least twice per year. The monitoring and evaluation findings are communicated to all investors, on pre-agreed dates, and also reported in its annual environmental report. A sample of annual environmental reports was provided, which include all aspects of the transaction, including E&S issues and actions for follow-up.

#### 2.2.6 Section 6.6: External communications

30. The applicant has a system to manage comments and complaints received from its clients. The applicant has an external ombudsman, whose information and contact details are publicly available on the applicant's website. The applicant uses its annual register for its external communications to report any updates to its E&S policy, emerging trends and carbon footprints of its investments. However, the applicant does not have a tracking system or register to document questions or complaints received from the general public and from clients, or responses to them.

31. Going beyond the interim ESS of the GCF related to accreditation (performance standard 1), the applicant additionally provided project-level information indicating that E&S consultants have responsibility for operating the grievance mechanism, and that this responsibility is included in the scope of work of the E&S consultants and included in the set of conditions in the loan agreement. At the project level, all complaints are reported in the E&S

quarterly reports addressed by the E&S consultants to the lenders. Any issues that directly involve the applicant on an E&S matter are brought to the attention of their chief executive officer and the sustainable development department, which incorporates them in either the semi-annual or annual project review reports.

## 2.3 Gender

32. The applicant does not have a specific gender policy. At the institutional level, its commitment to gender-related matters is captured in its annual register that includes its diversity guidelines and hiring policy. At the investment level, the applicant applies gender mainstreaming through the application of the Equator Principles policy related to “vulnerable” groups. The applicant has not identified any individual(s) who may have competency to implement a gender policy. Limited and insufficient information on samples of projects that specifically target women, data on lending to women in its overall lending and information on projects in which men and women have benefited from climate change projects were provided. The head of sustainable development confirmed that the applicant is committed to formalizing the requirements of the GCF in its gender policy in a dedicated gender policy to be issued and made public by the end of 2015 or the beginning of 2016.

## III. Conclusions and recommendation

### 3.1 Conclusions

33. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management. The applicant partially meets the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees because the standard requires a process for publically disclosing information on beneficiaries and results of projects;
  - (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1 because of the requirement to have an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public and from clients; and
  - (c) The applicant has not demonstrated policies, procedures and competencies by which to implement the GCF gender policy, and has also not demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

34. The AP recommends, for consideration by the Board, applicant APL025 for accreditation as follows:
- (a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards;
  2. Specialized fiduciary standard for project management; and
  3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (iii) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. This process should be aligned with the requirements of the GCF regarding disclosure of project information;
  2. Develop a tracking system or register within the external communications mechanism to document questions or complaints received from the general public and from clients, as well as responses to them, for projects and programmes financed by the GCF; and
  3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by the GCF.

<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, Category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

35. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 34 above, and agrees to the recommendation.

## Annex XVI: Accreditation assessment of Applicant 026 (APL026)

### I. Introduction

1. Applicant 026 (APL026), HSBC Holdings plc and its subsidiaries (HSBC) headquartered in the United Kingdom of Great Britain and Northern Ireland, is an international commercial bank headquartered in Europe. With a history of over 150 years, the applicant's international network covers 72 countries and territories, including a presence in five small island developing States and least developed countries. Currently, the applicant has a volume of more than US\$ 200 billion across 37 countries in sustainable energy, transport and clean water projects. The applicant is currently ranked as the world's number one project advisor and infrastructure finance house, and the leading advisor in sub-Saharan Africa. The applicant seeks accreditation to the GCF in order to share its experience and skills to assess the risks associated with infrastructure investment opportunities, as well as to act as an educator, via its climate change centre, offering a dedicated research capability focusing on the investment implications of climate change. The applicant offers to arrange and finance public and private partnerships projects in developing countries and work with local and regional banks on infrastructure and project financing, sharing its expertise and experience and building its skills base.

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

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Size of an individual project or activity within a programme:** Large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)<sup>3</sup>).

### II. Accreditation assessment

3. The applicant has been assessed against the standards of the GCF by the Accreditation Panel (AP).

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

4. As a part of this assessment, the AP has consulted the applicant's website, as well the websites of relevant regulators to complement the information provided by the applicant in its application.

## 2.1 Fiduciary standards

### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. The applicant has an established organizational structure and appropriate oversight bodies which are appropriate for its size and the global scope of operations. At board level, the applicant has established several committees, including for audit, risk and compliance. The applicant's control framework is based on the regulatory requirements in the jurisdictions in which it operates. Furthermore, the applicant has adopted the Committee of Sponsoring Organizations Internal Control Framework, thereby complying with the regulatory requirements of the jurisdictions in which it operates as well as with best practices.

6. The applicant's risk management framework defines the roles and responsibilities at each level of the organization, including the role of its board of directors and committees, and the responsibilities of the executive team. The applicant has an independent risk function, as well as an independent internal audit function.

7. The applicant demonstrated that it has a well-established information and reporting system, that generates timely and accurate information required for managerial decisions and regulatory reporting.

8. The applicant provided audited annual statements, including the external audit opinion which contains no reservations. The financial statements are prepared in accordance with the International Financial Reporting Standards.

9. The applicant's global procurement function has oversight for all purchasing activities undertaken at the global level. The applicant's procurement policy establishes the mechanisms that provide reasonable assurance that the vendor selection process is appropriate, that procurement is conducted in a transparent manner and that all suppliers are treated in an equitable manner. Furthermore, the applicant's procurement organization has clearly defined responsibilities delegated to global heads who manage the diverse activities of the procurement process.

### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

10. The applicant's code of ethics, which is communicated to all employees, establishes the standards of conduct that are to be observed when performing activities on behalf of the applicant. In addition to the code of ethics, the applicant has specific policies that relate to anti-bribery, the conduct of senior executives and its corporate governance policies. Furthermore, the applicant's procurement policy includes the ethical standards with which its suppliers are expected to comply. The ethics committee oversees compliance with the established ethical standards.

11. The applicant has experienced, in recent years, increased costs due to regulatory compliance issues. In response to the compliance issues, the applicant has invested substantial financial and human resources in the improvement of its compliance risk management function. As part of the improvements, the applicant has reinforced its investigation function, as well as the tools and mechanisms available to report misconduct. The investigation function is undertaken by units at different levels of the organization and a record of all reported cases of

misconduct and breaches of internal procedures is kept. Furthermore, the applicant has included observance of the code of ethics as part of the employee evaluation process.

12. The applicant provided its anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, which are applicable in all markets in which the applicant operates. The policy reflects the 40 recommendations of the Financial Action Task Force on Money Laundering on combating money laundering and the 9 special recommendations on CFT. Before conducting business with any prospective customer, appropriate “know-your-customer” (KYC) due diligence is required to be undertaken and recorded. The policy requires appropriate scrutiny, and monitoring of transactions, account activity and customers is undertaken in order to identify and report unusual and suspicious activity. To comply with sanctions and with lists of known or suspected terrorists issued by the United Nations and by competent authorities, the policy requires the applicant to ensure that all payments are subject to real-time pre-execution screening against sanctions lists issued by the competent authorities.

13. As noted in paragraph 11 above, the applicant has been subject to regulatory action due to failures in its internal control and compliance systems. Failures in AML/CFT controls are a significant issue in the regulatory reports. In response to the control deficiencies the applicant has:

- (a) Created a specialized board committee to oversee all AML/CFT activities;
- (b) Named a senior executive to oversee all compliance activities of the organization at the global level;
- (c) Implemented enhanced AML/CFT policies that are applicable at the global level;
- (d) Enhanced due diligence and KYC processes and procedures, including specific processes for on boarding customers as well as for monitoring the relationship;
- (e) Enhanced due diligence of affiliated companies at the global level; and
- (f) Enhanced controls over the processing of fund transfers.

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

14. The applicant demonstrates a long track record and experience in project finance, with demonstrated expertise in assessing project viability, developing the appropriate financial structure and monitoring project performance during the development and operational stages. The applicant has co-financed projects with private and public sector co-investors, as well as with international development entities.

15. The applicant has well-developed processes to identify potential projects, identify and evaluate project risks, develop appropriate financial structure and attract co-investors to secure the GCFs required for a given project.

16. The applicant’s project finance team is responsible for evaluating project proposals and conducting the required due diligence. For the assessment of project proposals the team uses risk evaluation tools that have been approved by its banking regulator, independent expert reports and the project information provided by the sponsor. The outcome of the assessment is a credit approval request that includes the description of the project, the projected financial returns and the assignment of a credit rating. The credit rating is reviewed and approved by the independent risk department.

17. The credit approval request and the risk indicators are entered into the credit risk management system for approval by the officers authorized by its board of directors to approve the credit requests.

18. The applicant's procedures to monitor projects during the development phase, as well as during the operational phase, ensure that appropriate oversight is exercised and that project risks are appropriately managed. Responsibility for monitoring projects is assigned to the project finance monitoring team, which is independent from the project origination team. The responsibilities of the monitoring team include:

- (a) Permanently monitoring project finance deals;
- (b) Performing annual reviews of projects;
- (c) Reviewing the project credit rating; and
- (d) Undertaking restructurings and workouts.

19. The independent risk department reviews and validates the credit risk rating assigned by the monitoring team.

20. If and when the credit rating deteriorates, the project can be placed under the supervision of the monitoring committee that meets on a quarterly basis.

21. The applicant has noted that its project financing operations are subject to confidentiality clauses and project details are not publicly disclosed. The applicant provided examples of projects for which it has published information, but it does not have an established policy for public disclosure of project details.

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

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

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

23. The applicant is a global financial institution that is subject to regulation in several jurisdictions. Additionally, the applicant has implemented risk management policies aligned with the recommendations of the Basel Committee on Banking Supervision. The regulatory requirements, as well as the adoption of international best practices, provide assurance that the applicant has effective controls over the third-party funds it manages.

24. The applicant provided project examples that demonstrate its capacity to manage projects that use loans, guarantees and equity as the investment instrument.

25. The applicant's processes for financial and risk management policies are well-developed and supported by both the independence of the risk management and the internal audit functions.

26. The applicant is a global leader in project finance and has a proven track record as mandated lead arranger; this track record demonstrates that the applicant has the required controls and procedures to adequately manage financial resources received from third parties.

27. The applicant's global risk function monitors the performance and management of all credit portfolios at the global level.

28. The applicant has been rated with an investment grade rating by all three major rating agencies (Moody's, Standard & Poor's and Fitch).

## 2.2 Environmental and social safeguards

### 2.2.1 **Section 6.1: Policy**

29. The applicant is an Equator Principles Financial Institution and, as a result, has a policy equivalent explaining how the Equator Principles (which include the performance standards) will be implemented in its investments. In addition, it has its own institutional policies and sector guidelines, all of which are supported by operational guidance to staff. The applicant has committed to apply the interim environmental and social safeguards (ESS) requirements of the GCF to all projects, not just to those that would be within the scope of application of the Equator Principles.

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

30. The applicant has a documented process of identifying risks and impacts in a systematic manner, which is integrated into business processes and is supported by guidance to staff and process templates. The process includes a checks and balance system that requires greater oversight and clearance from a central global group as the environmental and social risk of the investment increases. As an Equator Principles Financial Institution, a track record of implementing the performance standards in projects over a number of years has been established. Implementation of the Equator Principles is publicly reported upon and is also verified annually by an independent assurer.

#### 2.2.3 Section 6.3: Management programme

31. The applicant has procedures in place so that when environmental and social (E&S)-related gaps are identified during the identification of risks and impacts process between the project/programme and the Equator Principles, an environmental management plan (action plan) is developed to close these gaps over time.

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

32. The applicant has adopted an organizational structure that is appropriate for the complexity and size of the organization and of the investment projects undertaken, and which reports to senior management both through a sub-committee of the applicant's board and through the risk function. The applicant has 62 technical E&S staff allocated both to regions and centrally, which enables the gathering and sharing of knowledge, best practices and early identification of emerging issues and trends.

#### 2.2.5 Section 6.5: Monitoring and review

33. The applicant has a monitoring group that monitors performance of the investment, including E&S commitments made in the environmental management plan, on an ongoing basis. Unresolved issues are elevated internally for action as needed. The internal monitoring system is supported by an electronic tracking and tickler system, which prompts investment reviews in a timely manner.

#### 2.2.6 Section 6.6: External communications

34. The applicant has an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public and from clients. This system can be accessed via the website, by telephone, or in writing.

## 2.3 Gender

35. While the applicant is able to demonstrate a track record of lending that resulted in positive impacts to women, it does not have a gender policy or strategy targeted to achieving these results or specific gender competencies. It does, however, have targeted strategies to increase the number of women within its own organization.

### III. Conclusions and recommendation

#### 3.1 Conclusions

36. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management. The applicant partially meets the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees because the standard requires a process for publically disclosing information on beneficiaries and results of projects;
  - (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1; and
  - (c) The applicant has demonstrated that it has experience and a track record with gender, but it does not have a gender policy or specific gender competencies.

#### 3.2 Recommendation on accreditation

37. The AP recommends, for consideration by the Board, applicant APL026 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    2. Specialized fiduciary standard for project management; and
    3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

- (iii) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes.
- (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Provide the Fund, through the Secretariat, with a letter of comfort executed by the appropriate authority within the applicant entity stating that it is taking the necessary actions to strengthen its internal controls related to compliance with relevant regulations, including, but not limited to, risk management, management of operational risk, and anti-money laundering and countering the financing of terrorism;
  2. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. This process should be aligned with the requirements of the GCF regarding disclosure of project information; and
  3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by the GCF.
- (ii) Condition(s) to be met on an annual basis :
1. Provide the Fund, through the Secretariat, with its annual reports that disclose information on regulatory compliance;
38. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 37 above, and agrees to the recommendation.

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<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

## Annex XVII: Accreditation assessment of Applicant 027 (APL027)

### I. Introduction

1. Applicant 027 (APL027), the African Development Bank (AfDB) headquartered in Côte d'Ivoire, is an international entity established in Africa during the 1960s with the objective of supporting the economic development and social progress of countries in Africa by promoting investment of public and private capital in projects and programmes that aim to reduce poverty and improve living conditions. The applicant's strategy for 2013–2022 focuses on two objectives: improving the quality of Africa's growth; and the transition to green growth. As part of its objective to transition to green growth, the applicant has undertaken important initiatives to address climate change in Africa through the implementation of a five-year climate change action plan from 2011 to 2015, including the mobilization to date of approximately US\$ 6.5 billion including from external sources, resulting in over 80 climate-resilient projects and almost 90 low-carbon development projects in Africa. The applicant has committed to invest US\$ 9.6 billion for climate finance in Africa by the end of 2015. Its adaptation activities includes activities relating to agriculture, rural living conditions, water resources and forests, while its mitigation activities focus on sustainable transport, renewable energy and energy efficiency, and sustainable land-use systems. The applicant seeks to contribute to the objectives of the GCF by: catalysing impact beyond a one-off investment; ensuring environmental, social and economic co-benefits, as well as gender and youth-sensitive development impacts; addressing vulnerability; and being country-driven and country-owned.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 12 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Global Environment Facility (GEF) and Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)<sup>3</sup>).

<sup>1</sup> As per annex I to decision B.08/02, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

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

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF agency and an accredited entity of the Adaptation Fund. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability are considered to have been met by way of fast-track accreditation.

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

7. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

8. The applicant has well-documented governance structures and publicly available procedure manuals for its management of grant award mechanisms. The grant award mechanism managed by the applicant generally follows its established rules and procedures which include: rules and procedures for the procurement of goods and services; a policy on information disclosure; guidelines for preventing and combating corruption and fraud; environmental policy; and rules and procedures of the applicant's independent review mechanism. The eligibility criteria for the grant programmes are well documented and grant award decisions are taken accordingly.

9. The applicant provided evidence of managing grant award mechanisms and a track record of grant programmes on behalf of a diverse group of donors. The applicant also provided evidence of leveraging impacts of its grant operations in support of lending to projects and programmes. It provided evidence of the programmes being advertised for a wide reach and transparency; grant programme applicants are kept informed of the progress of their applications and are advised accordingly if unsuccessful.

10. The applicant has a track record of a number of grant programmes and the evidence reviewed shows that it has applied lessons learned in respect of programme design and has incorporated these into new structures as they are developed.

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

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include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

11. The applicant has a well-established track record of on-lending and blending of its own resources and of others. Its operations are guided by its overarching policies, processes and procedures. These processes include project appraisals, reviews by internal operational committees and final approval by the applicant's board. The applicant's operational guidelines provide for a process which includes detailed fiduciary assessments across its diverse portfolio. Information on the on-lending policies and procedures, operations and projects it finances is easily accessible through its website.
12. The applicant provided evidence of the entire value chain of its project cycle, including the monitoring of the projects it finances. Projects financed by the applicant provide for results frameworks and these are monitored for budget, adherence to covenants and progress. The applicant provided information in respect of climate change related projects.
13. The applicant's debt servicing handbook provides information on its instruments and the terms of its lending. Its operational on-lending framework is subject to on-going reviews and amendments, to adapt to its operating environment. Information on the applicant's track record on blending with both the public and the private sector has been provided.
14. The applicant has been rated 'AAA' by all three major rating agencies (Moody's, Standard & Poor's and Fitch) with a stable outlook and its financing operations are guided by its credit policy. The continued growth and concomitant risks associated with the applicant's private sector operations have been highlighted for their potential effect on future ratings if not adequately managed. The applicant has pro-actively been addressing this risk by developing various policies and procedures to provide structure and guidance to its private sector window. Moreover it has established various review committees to support the risks emanating from these operations. The applicant has adopted a flexible approach to its private sector engagement and this will require diligent management for purposes of transparency and equitable treatment. This has been recognized by the applicant in the structuring of its approval/review processes.
15. It should be noted that some private sector operations and specifically private equity, do not systematically incorporate all the fiduciary oversight associated with a large institution's corporate governance structure. In this regard, the applicant's audit/review processes to facilitate oversight of these and similar structures should be enhanced to allow for annual audits.
16. The applicant has an asset liability committee, which oversees its substantial portfolio, and has provided evidence of its functioning. The applicant also provided evidence of a track record in respect of its guarantee instruments.

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

17. The applicant's first environmental policy was adopted in 1990, and has gone through several revisions. The last iteration was issued as an integrated environmental and social (E&S) management system in late 2013, and was developed based on experience from applying previous environmental and social safeguard (ESS) policies, as well as from consolidating them with cross-cutting and sector policies. In 2014, implementation procedures and guidance materials were issued. The E&S policy and operational safeguards are consistent with the interim ESS of the GCF.
18. The policy also defines the roles and responsibilities of different departments of the applicant, as well as its clients with respect to implementation of the policy. The policy recognizes the diversity of its client base capacity to anticipate and manage E&S risks from

investments, and the applicant is committed to providing support to its clients to ensure alignment with international good practices.

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

19. The guidance materials issued in 2014 contain a project screening procedure and an E&S risk and impacts categorization tool comparable to that of the GCF. The guidelines also address categorization for programme-based lending, sector lending and financing through intermediaries. Procedures for validation of the categorization are also described. The applicant shows a track record of implementing projects with high and medium E&S risk characteristics, and project documentation indicates consistent utilization of project screening and categorization tools.

20. In addition, the applicant has introduced climate screening procedures that support its newly developed climate safeguards system, designed to ensure climate resilience to its investments in the region. The climate screening procedure and tools complement the environmental and social impact assessments (ESIA) and are intended to provide input to the project design phase.

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

21. The roles and responsibilities for implementation of the E&S policy and procedures are clearly defined throughout the project cycle. Borrowers and clients are responsible for the preparation of strategic assessments at the country and sector levels, in addition to the project-level ESIA, and in the preparation of plans to mitigate possible impacts. Oversight and capacity-building are extended by the applicant to borrowers and clients to ensure conformance with the applicant's safeguard requirements. The applicant provided documentation demonstrating the use of standard report formats addressing E&S issues, both for project implementation and for project completion reports.

22. A new project tracking system has been developed as a mechanism to manage information on compliance with the integrated safeguards. The applicant provided evidence that demonstrates that the system is functional.

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

23. The integrated safeguard system is enforced through a number of units. A compliance and safeguards division monitors compliance with the requirements of the E&S policy framework and implements the climate risk management and adaptation strategy. The division is located within a department tasked with quality assurance and oversight of results. Responsibility for implementing the E&S requirements lies with the operational departments. This involves working with public and private clients to ensure that they fulfil their roles and responsibilities at the project level. In addition, a division focused on environment, energy and climate change matters provides due diligence and advisory services on climate change and the environment for the applicant's infrastructure, private sector, and regional integration sector operations portfolio, and serves as a climate finance platform managing and implementing a number of climate and environment related funds. In total, the applicant has over 100 personnel assigned to manage and provide technical expertise related to ESS and climate change. The job descriptions and curriculum vitae of staff indicate solid in-house capacity.

24. Since the issuance of the integrated safeguard system in 2013, the applicant has conducted a series of training programmes for staff at its headquarters and country offices to ensure sufficient capacity to apply the applicant's procedures and tools. Training programmes are also offered in regional hubs, with participation of staff from different units, as well as external partners.

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

25. The applicant has several systems for monitoring, which involve reviews of country portfolio performance, and project-level reviews and supervision missions. Clients are also expected to submit quarterly progress reports, which include progress on E&S commitments. In addition, since 2010, the applicant has conducted annual E&S audits of selected high- and medium-risk projects. Audits are used as a management tool to help ascertain the level of internal performance and compliance with current ESS requirements and to obtain lessons learned regarding ESS implementation.

26. The applicant provided evidence that senior management and, where necessary, the board of directors become involved in projects that have received complaints from affected communities or other stakeholders. Documentation shows paper trails of management responses, independent reviews, and preparation of action plans and monitoring of the progress of action plan execution.

27. The applicant's documentation also shows that it has learned from its experience in implementing its previous ESS policies and procedures. The current integrated ESS and its operational procedures have been built on such lessons, which address the application of its ESS across the diverse countries in its region.

#### 2.2.6 Section 6.6: External communications

28. The applicant revised its disclosure and information access policy in 2012. The revised policy is aimed at maximizing information disclosure to benefit the applicant and its activities and strengthen engagement with stakeholders. Project E&S assessments and management plans are among the documents that the applicant proactively discloses. The policy provides for a two-step appeals process to deal with what the applicant identifies as legitimate appeals for access to information. In addition, the applicant recently established an independent review mechanism, through which persons adversely affected by projects financed by the applicant can request compliance reviews.

29. Complaints related to projects are managed by the applicant's dedicated unit for compliance review. Complaints and responses from the applicant are logged in a register, which is available on the applicant's website. Evidence of registers related to various projects was reviewed in this assessment.

30. As part of its effort to enhance mechanisms for participation and coordination with civil society, the applicant established, in 2012, a framework for engagement with civil society organizations (CSOs). A CSO forum is held annually, attended by organizations from various parts of the region, as well as international organizations active in Africa. Since channels of communications with CSOs have been strengthened, the applicant has received fewer complaints regarding projects, as CSO inputs are considered in the project design phase.

## 2.3 Gender

31. The applicant issued its first-generation gender policy in 2001, which has since been revised and updated. The focus of the current gender strategy (2014–2018) is to strengthen gender mainstreaming in all the applicant's operations and strategies for its clients and in the region, as well as to improve its internal work environment. The applicant prepares country gender profiles of its member countries to build a knowledge base and inform work on gender equality and women's economic empowerment, which are fed into country strategies prepared by the applicant.

32. Gender issues are also addressed in the operational safeguards and tools for integrated ESS throughout the project cycle. Project appraisal reports contain a section on gender that defines gender commitments and actions for the project. In addition, the applicant produces

annual reports on gender, poverty and environment covering the region. The reports provide updates on key indicators used in its member countries.

33. The applicant has implemented initiatives designed for women, such as one that empowers women in business. A project recently received international recognition for its gender-related work in a post-conflict area. For conventional projects, the applicant ensures that women's participation is enhanced and that women benefit from projects/programmes funded by the applicant.

### III. Conclusions and recommendation

#### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management and specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant partially meets the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The applicant's private sector operations would benefit from an enhanced oversight process. This includes structured audits to support the anticipated growth and concomitant risks associated with new and potentially complex structures;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1. The applicant demonstrates sound experience with ESS matters, and can be regarded as a leader in the region in which it operates; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has also demonstrated that it has experience with gender and climate change.

#### 3.2 Recommendation on accreditation

35. The AP recommends, for consideration by the Board, applicant APL027 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;

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<sup>4</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>5</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>6</sup> As per annex I to decision B.08/02, "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme".

2. Specialized fiduciary standard for project management;
  3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (iii) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition(s) to be met for an approved project/programme that has an equity structure to be invested in by the GCF to be undertaken by the applicant:
    1. Prior to the first disbursement from the GCF to the equity issuer, submit draft terms of reference for the annual audit, which has to be included in the constitutional document of the equity issuer, for review and approval by the GCF; and
    2. Undertaking in the funded activity agreement to provide the GCF on an annual basis for the first three consecutive years with annual audit reports and information on the status of recommendations that may arise from such reports. After the first three years, the GCF will review the need to extend this condition.
36. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 35 above, and agrees to the recommendation.

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<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

## Annex XVIII: Accreditation assessment of Applicant 028 (APL028)

### I. Introduction

1. Applicant 028 (APL028), the European Investment Bank (EIB) headquartered in Luxembourg, is an international financial entity whose main objective in developing countries is to provide finance and expertise for sound and sustainable investment projects, in both the private and the public sector, provide social and economic infrastructure, and address climate change, among others. The applicant is currently operating in over 150 countries and has a mandate to operate in any developing country. Climate action is one of the top policy priorities for the applicant, which integrates climate considerations across all its activities, in addition to financing climate mitigation and adaptation projects, thereby contributing to low-carbon and climate-resilient growth around the world and supporting the transition to a sustainable low-carbon future. The applicant targets 25 per cent of its portfolio as climate action projects and programmes. In 2014, its total investment in climate action projects and programmes was more than US\$ 20 billion. Additionally, the applicant regularly provides capacity-building support in many sectors and specific technical assistance focused on developing local skills to support project development and implementation, as a way of strengthening country ownership. If accredited, the applicant seeks to support the paradigm shift objective of the GCF by making use of its network of trusted partners in the public and private sectors and non-governmental organisations to optimize the applicant's collaborative work in tackling climate change, and would help to overcome investment hurdles, in particular those faced by the private sector.

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

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Directorate-General for International Development and Cooperation of the European Commission;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)<sup>3</sup>).

<sup>1</sup> As per annex I to decision B.08/03, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

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

## II. Accreditation assessment

3. The applicant qualifies for the fast-track accreditation process as a Directorate-General for International Development and Cooperation of the European Commission entity. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, are considered to have been met by way of fast-track accreditation.

7. Regarding item 4.2.5, the applicant provided, in its application, evidence which indicates that it meets the requirements of the basic fiduciary standards of the GCF related to the "anti-money laundering and anti-terrorist financing policies". The applicant has a comprehensive and mature AML/CFT framework procedure providing the scope, objectives, applicability and description of the counterparty due diligence process. In its AML due diligence process the applicant applies various measures based on risk-sensitivity and taking into account the type of counterparty, business relationship, product or transaction and country of operation involved.

8. At the project appraisal stage, the applicant identifies the project beneficiary and conducts AML due diligence, which involves examination of all of the integrity aspects of the business relationship with the counterparty, in order to avoid entering into business relationships structured for the purposes of criminal activities or co-financed through funds of possibly illicit origins.

9. In addition to these checks, the applicant continuously undertakes monitoring, including that of electronic transactions, in order to detect possible money laundering, financing of terrorism and other related integrity risks that may arise throughout the life of its business relationships with counterparties.

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

10. The information provided by the applicant demonstrates a long track record of and experience in project management. The applicant has robust policies, procedures and frameworks that guide its operations at all stages of its project cycle: from project identification to monitoring and evaluation (M&E).

11. The applicant provided key operational policies, procedures and documents that demonstrate compliance with an effective use of these policies and procedures. The entity

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include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

exercises adequate project oversight and control over the operations it finances, including oversight of preparation of project implementation plans, quality reviews, budgets and utilization of project funds. The applicant has M&E capacities based on recognized international standards, which were demonstrated through project M&E reports and annual consolidated reports on the results of its operations. Evidence of effective implementation of project management procedures is supported by an extensive track record of project appraisal and implementation. The examples of project documentation provided also demonstrate the applicant's broad experience in managing a number of climate change mitigation and adaptation projects.

12. Furthermore, the applicant has demonstrated strong project risk assessment, monitoring and evaluation capabilities guided by policies and procedures, including procedures for the financial risk management and credit risk policy guidelines.

13. The entity's project monitoring and review reports are available on the applicant's website as per its information disclosure policy.

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

14. As per paragraph 3 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

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

15. The applicant provides on-lending or blended finance by raising capital funds and blending them with international donor funds. The strategy of blending these two sources of funds allows the applicant to implement a financing strategy that is able to meet the specific needs of the beneficiaries in the countries in which it operates. The concessional funds provide enhancements to the financial structures such as technical cooperation, interest rate subsidies and investment grants that benefit the recipients of the blended loans and have proven to be an effective mechanism for attracting additional investors. The organization manages a number of trust funds that undertake investments in projects and programmes.

16. The applicant has well-established on-lending and blending policies and procedures that provide assurance of its capacity. Its investment guidelines define the principles of the funded activities, eligible investments and equity investments structure, due diligence procedures, investments appraisal and approval processes, monitoring and reporting rules.

17. The applicant has a process for the appraisal of the intermediary selected to serve as a partner in developing a project or programme in a specific region or country. The applicant provided examples of the appraisal reports that include an evaluation of project parameters, such as relevance to national policies, effectiveness through the achievement of operational objectives, financial and economic performance, and analysis of environmental and social sustainability. The applicant has an information disclosure policy that demonstrates the applicant's commitment to transparency and accountability.

18. The applicant has also provided information regarding the equity funds it raises from capital markets, as well as trust funds it manages on behalf of international development finance institutions. The evidence presented demonstrates the applicant's ability to effectively manage the GCFs it receives from various financial sources.

19. In addition to providing blended finance for specific project activities, the applicant has developed other climate finance mechanisms and instruments such as financial guarantees, climate awareness bonds and risk-sharing products which leverage public funds to allow other financial institutions and capital market investors to co-invest in projects.

20. The annual financial reports provided in the application demonstrate that the applicant aligns its management systems with best practices, and adherence to those practices is monitored by the designated audit committee.

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

21. The applicant has an environmental and social (E&S) policy with guiding principles and standards in place, on which an E&S manual is based. The policy is aligned with the interim environmental and social safeguards (ESS) policy of the GCF in related to accreditation. The policy was endorsed by the applicant's board and is published on the applicant's website. The roles and responsibilities of specialized units or individuals who collectively ensure the conformance of operations with the applicant's E&S policy are clearly assigned. The applicant has a specialized unit, which is responsible for policy development in the area of E&S and climate change. Implementation of the E&S policy is performed by individual project teams.

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

22. The applicant's E&S policy and operational procedures are mature and fully implemented. The E&S risk categories under the applicant's risk identification process were found to be comparable to those of the interim ESS of the GCF and scaled risk-based approach. The applicant provided information on its track record of projects that have been identified and categorized in accordance with its E&S policy. An assigned project team has overall responsibility for overseeing project operations, including E&S aspects of a project, and is supported by the specialized E&S unit. Further support is provided by sector specialists from an environmental assessment department who work to ensure that the quality and consistency of the E&S due diligence throughout the applicant's project cycle and across all sectors is maintained and implemented.

### 2.2.3 Section 6.3: Management programme

23. The applicant has a tried and tested environmental and social management system. Its E&S policies and standards are operationalized through clearly established procedures. The applicant has in place due diligence mechanisms to manage E&S risks and may additionally use the support of external consultants to carry out certain appraisal and monitoring tasks, if needed. In the case of intermediated loans (such as lines of credit) and framework loans, responsibilities are assigned to the applicant's intermediaries to ensure that all mitigation measures are put in place and monitored.

### 2.2.4 Section 6.4: Organizational capacity and competency

24. The organizational structure of the applicant defines the roles and responsibilities for implementing its E&S policy and procedures. Core responsibility for E&S issues lies with a designated unit to ensure information dissemination, training and the development and monitoring of the application of sustainable development policies and procedures. The applicant conducts regular training on E&S and climate-related topics, which is provided by in-house and external experts.

### 2.2.5 Section 6.5: Monitoring and review

25. The applicant has procedures in place to carry out E&S monitoring of operations. Assigned project teams define the format, actions, resources and schedules for monitoring E&S issues identified at the project appraisal stage. Monitoring activities are required from project promoters and intermediaries, as well as the applicant's staff, who conduct monitoring through the review of reports received, site visits and third-party monitoring information. The

monitoring activities of the applicant's operation are also summarized in the annual corporate responsibility reports and report on results of operations. These reports are published on the applicant's website. The applicant also has an independent evaluation to help ensure that the lessons learned from past operations are fed into those of the future.

#### 2.2.6 Section 6.6: External communications

26. The applicant has a mature public information policy which includes principles of disclosure of project information and the receipt of external communications from the public. The policy sets out the general procedures for handling information requests and the types of information that will be provided on a standardized basis. Information on avenues that can be used to submit project-related complaints and evidence of complaints that have been handled through an independent project complaints mechanism were provided.

### 2.3 Gender

27. The applicant's operations are guided by its E&S performance standards, which stipulate equal treatment and equal opportunity, disallowing discrimination based on gender. To further enhance its gender-specific approach, the applicant is currently working on the development of a strategic approach to mainstream gender, both in terms of its safeguards-based due diligence and the impact of its lending operations. This approach will effectively help mainstream gender in the applicant's operations, including a gender action plan as a key element. Lastly, the applicant demonstrated its monitoring of gender activities and gender-related data in its operations in documentation provided in its application.

## III. Conclusions and recommendation

### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1; and
- (c) The applicant has demonstrated that it has competencies in and is in the course of developing its strategic approach to gender, and has also demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

29. The AP recommends, for consideration by the Board, applicant APL028 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards;
  2. Specialized fiduciary standard for project management;
  3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (i) **Environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).
- (b) **Conditions:** none.
30. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as described in paragraph 29 above, and agrees to the recommendation.

### 3.3 Remarks

31. The applicant is encouraged to further enhance its strategic approach to gender with a view to integrating a formalized gender-sensitive approach in its ongoing operations. The applicant is invited to share such a strategy with the GCF once it is finalized and formally adopted.

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

## Annex XIX: Accreditation assessment of Applicant 029 (APL029)

### I. Introduction

1. Applicant 029 (APL029), the International Finance Corporation (IFC) headquartered in the United States of America, is an international organization with a strong global presence and focus on development, primarily in the private sector. Established in the 1950s, the applicant works in over 100 developing countries through the private sector, with a special focus on infrastructure, manufacturing, agribusiness, services and financial markets. The applicant's own climate investment portfolio has reached US\$ 13 billion, with a track record in wind and solar projects globally. Its experiences in leveraging, mobilizing and intermediating climate funds and programmes for green growth has allowed it to help unlock private climate investment using blended finance. In addition to investments in climate projects, the applicant also provides technical assistance or advisory services to private and public sector clients to promote sound environmental, social, governance and industry standards; catalyse investment in clean energy and resource efficiency; and support sustainable supply chains and community investment. With its experience in investing, mobilizing and intermediating climate finance to promote private sector projects at scale for both mitigation and adaptation in developing countries, the applicant seeks accreditation to the GCF to contribute its experience and capacity to deliver to support the mandate of the GCF to promote a paradigm shift towards low-emission and climate-resilient development.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 11 February 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Size of an individual project or activity within a programme:** large;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (e) **Environmental and social risk category:** high risk (Category A/Intermediation 1) (I-1).<sup>3</sup>

<sup>1</sup> As per annex I to decision B.08/02, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

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

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

## II. Accreditation assessment

3. The applicant has been assessed against the standards of the GCF by the Accreditation Panel (AP).
4. As a part of this assessment, the AP has consulted the applicant's website and third-party websites to complement the information provided by the applicant in its application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. The applicant has a well-established governance and oversight structure that includes the appropriate mechanisms to ensure effective governance and control. The applicant's governance structure includes a board of directors, a board audit committee, independent integrity and evaluation units, as well as an independent internal audit function. The applicant has provided information that demonstrates the effectiveness of its governance bodies.
6. The financial statements of the applicant are audited annually and prepared in accordance with United States Generally Accepted Accounting Principles. Furthermore, both the external auditor and the applicant's management have provided assurance statements regarding the effectiveness of internal control over external financial reporting.
7. The applicant has a procurement policy in the form of procedural guidelines, which provide detailed guidelines for the procurement of goods and services. Furthermore, the internal audit department and the integrity oversight units periodically review the procurement function to ensure that the established guidelines are followed and that mismanagement of procurement processes is avoided.
8. The applicant's internal control and financial management policies, as well as the effective functioning of the oversight units, provide assurance regarding the appropriate management of the applicant's assets.
9. The applicant has established guidelines and procedures for the preparation of strategic plans and annual budgets, as well as the required mechanisms for appropriate follow-up of its plans.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

10. The applicant has an ethics code and a disclosure policy, which are communicated to all of its staff. The applicant has established units, policies and procedures to undertake investigations of allegations of misconduct. The ethics unit is responsible for cases involving the applicant's staff, and the investigations unit is responsible for allegations of misconduct at the level of the applicant's investments. Also, the applicant reflects investigations undertaken by the oversight bodies in publicly available annual reports. The applicant's complaints mechanism and procedures are available on its website.
11. The applicant has specific policies and procedures for ensuring appropriate due diligence of its counterparties. The applicant's anti-money laundering (AML) and countering the financing of terrorism (CFT) programme and activities are coordinated by its AML/CFT division housed within the risk vice-presidency. The applicant's AML/CFT programme includes staff training, automated screening, and client and project due diligence.
12. If, during the course of the due diligence exercises, integrity risks are detected, the applicant's project teams can consult with a centralized unit that provides institution-wide

internal guidance on assessing specific integrity risk issues, and case-by case advice regarding AML/CFT issues and risks.

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

13. The applicant has developed policies supported by templates and specific guidelines that are implemented throughout the entire project cycle, including business development, appraisal and due diligence, investment review, supervision, monitoring, evaluation and closing. The applicant provided key operational and investment policies and procedures, as well as project documents that demonstrate compliance with and effective use of these policies and procedures.

14. Within the appraisal process, the investment team assesses whether the proposed investment is financially and economically sound. If it complies with the applicant's environmental and social safeguards, the applicant then examines the potential client's credit risk rating and analyses how the applicant can help the client further improve project sustainability. The applicant has a risk assessment process and risk mitigation strategies in place. Management approval – required before reaching financial close for all investment projects – is conducted at the investment review meeting, for which the designated staff prepare documentation regarding due diligence information on the prospective project (including, where relevant to the project, on-lending and/or blending information), environmental and social (E&S) risks and, when relevant, climate change mitigation and adaptation-related outcomes.

15. Information on all projects under development, including project objectives, amount of financing, total project costs, technical characteristics and E&S aspects, is available on the applicant's website. The applicant provided a number of examples of the project and programme appraisal reports demonstrating its experience in climate change mitigation and adaptation projects, including those in energy-efficiency upgrades, concentrated solar power plants, and advisory programmes on agribusinesses.

16. The applicant has a portfolio management framework for all of its projects under implementation, including donor-supported investment and advisory initiatives. At the project level, it actively monitors compliance with investment agreements, visits sites to evaluate project status, and helps to identify solutions to address potential problems. The applicant tracks and monitors E&S and financial performance, development and results.

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

17. The applicant is a well-established organization with several decades of experience in providing development finance to developing countries. The applicant has various projects in almost all sectors, mostly co-financed, and generally does not engage in stand-alone projects with third-party resources. The grant resources mainly come from the applicant's net income and are also supplemented by funds received from bilateral donors and multilateral facilities.

18. The grant funding is used to provide advisory services to companies, industries and governments for developing their projects in the emerging markets, typically in conjunction with loans and other forms of financing that the applicant offers. Through advisory services offerings, the applicant helps companies to improve their corporate governance, strengthen risk management and become more sustainable. Some of the grant funds are also used to support domestic financial intermediaries in developing their capacities to provide services to sustainable domestic private enterprises.

19. The grant award mechanism implemented by the applicant is transparent with formally documented procedures for assessing and approving grant proposals, as well as for

implementation and monitoring. The grant award activities for technical assistance and advisory services are subject to transparent procurement rules and annual external audit. Documentation and supervision reports to implement advisory services and technical assistance projects were provided as evidence of implementation of the policies and procedures.

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

20. The applicant has a mature set of policies and procedures that establish: governance for on-lending and blending operations; the role of the structuring unit working on the deployment of concessional funds; reporting to the applicant's board of directors; sourcing funds for blended finance; results management and learning; monitoring and evaluation; and risk mitigation strategies. The policies require the applicant to exercise the same standard of care when investing on behalf of donor partners as it does in activities that the applicant itself administers and manages for its own affairs, including the use of qualified staff, the application of E&S safeguards and integrity due diligence.

21. The applicant has a strong track record, experience and capacities for on-lending and blending from international and multilateral sources and global trust funds, as well as with resources from its own funds, investing several billions of United States dollars from its own account in climate change related projects. The applicant has established a special unit with an aim to deploy funds received from donors. The GCFs can be deployed as concessional loans, guarantees, equity and grants.

22. The applicant exercises the same standards when investing on behalf of donor partners as it does with respect to the administration and management of its own funds, maintaining a series of control frameworks, due diligence checks and risk management procedures.

23. The applicant publishes case studies and reports of donor-supported projects on its website. It also has a separate independent evaluation unit in place that prepares annual evaluation reports. The applicant periodically reviews its entire portfolio globally and annually reports on portfolio performance to its board. Additionally, dedicated project teams conduct portfolio stress test analyses of potential scenarios and work with operational teams to prevent and mitigate risks.

24. The applicant is an 'AAA' rated entity (Standard & Poor's and Moody's) with a superior track record in credit and financial management.

## 2.2 Environmental and social safeguards

### 2.2.1 **Section 6.1: Policy**

25. The applicant has a well-developed environmental and social safeguards (ESS) policy supplemented by a series of manuals and sources to guide implementation. ESS apply to all of the applicant's projects, both investment and advisory. The policy requires the applicant to undertake E&S assessments of potential projects and programmes in order to ensure that they are environmentally and socially sound and sustainable, and sets out operational procedures for whom and how the policy is implemented. The applicant's ESS policy is equivalent to that of the GCF. The applicant's ESS have become the basis for other standards and are utilized by a large number of financial institutions around the world.

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

26. The applicant's ESS are equivalent to those of the GCF. The system for E&S risk and impact identification is also consistent with that of the GCF. The applicant's ESS and corresponding guidelines not only provide a system for risk and impact identification, but also

provide a comprehensive description for managing mitigation measures and actions stemming from the E&S risk identification process. This is consistent with the project-level performance standards (2–8) of the interim ESS of the GCF. As per the applicant’s procedures, the lead E&S specialist supported by a project team is responsible at the appraisal stage for leading and managing the E&S review and risk identification and categorization of a proposed investment.

27. To demonstrate the application of the E&S risk identification and categorization process, the applicant provided a list of illustrative projects, their E&S risk categories and information on how they were identified and categorized.

### 2.2.3 Section 6.3: Management programme

28. The applicant’s ESS are managed through clearly established procedures and assignment of roles. The applicant operates a formal mechanism in order to manage and mitigate E&S risks and impacts, contained in an E&S review guidance document, and assigns responsibilities to the applicant’s relevant units for due diligence as well as the monitoring of progress and compliance with the ESS policy. The document includes formal operational processes and procedures for describing how individual project/programmes and E&S risk mitigation activities will be documented and applied for ESS.

29. Moreover, the applicant demonstrates that it has an ESS compliance review mechanism that is followed from the project concept phase to implementation, as well as audits of third-party financial intermediaries’ investments.

30. As an additional layer of E&S monitoring and compliance, the applicant has a compliance office to conduct compliance audits on projects and programmes to ensure that they are compliant with the applicant’s sustainability framework. The compliance office has conducted an audit on the applicant’s investments in third-party financial intermediaries and has identified issues with regard to ESS implementation. However, the applicant also provided evidence of the management response to the recommendations in the audit report, which has resulted in improvements to the applicant’s ESS implementation capacities.

### 2.2.4 Section 6.4: Organizational capacity and competency

31. The applicant houses a dedicated E&S development department headed by a director and specialist staff who ensure that the institution’s work is beneficial to human development and the natural environment. E&S development specialists appraise potential investment projects to identify and categorize E&S risks and enhance outcomes, ensure compliance with ESS and related guidelines, and provide training on E&S management systems to financial sector borrowers. The dedicated staff help ensure implementation of ESS by conducting due diligence on the proposed investment activity; assisting the client in defining the project’s E&S risk category; developing measures to mitigate E&S impacts, monitor and document the client’s E&S performance throughout the life of the applicant’s investment; and disclose information about its institutional and investment activities in accordance with its information disclosure policy. The applicant conducts regular training and development programmes on ESS for its specialists.

### 2.2.5 Section 6.5: Monitoring and review

32. The applicant has a mature mechanism for monitoring ESS implementation in projects, including the submission of annual monitoring reports, action plans and periodic site visits. The investments categorized as E&S risk Categories A and B are also scored at the end of the appraisal process, and then again during supervision using the applicant’s E&S risk rating system. The E&S risk rating system is an internal tool designed to indicate the project’s relative level of E&S risks. Additionally, corrective and preventative actions are captured and managed through the E&S action plan tracker.

### 2.2.6 Section 6.6: External communications

33. The applicant's E&S guidelines describe the methodology to implement the institutional disclosure requirements in accordance with the overarching information policy. The applicant discloses information about its projects, including project-level E&S review summaries, through the designated disclosure portal. The compliance office publishes a summary of its E&S complaints cases under review, dispute resolution, and compliance in its annual report. The applicant has a designated website available in 16 languages that provides an online searchable database for complaint cases currently being handled, as well as links for filing a complaint with the compliance office. The compliance office also receives and handles complaints from affected communities in local projects with the goal of enhancing E&S outcomes on the ground.

## 2.3 Gender

34. In its consideration of gender-related aspects in its investment and advisory activities, the applicant adheres to the overarching gender equality policy of the larger group to which it belongs. In addition to the main policy, gender is integrated into the applicant's strategic road map for the period 2015–2017 that includes specific commitments to increase access to finance and access to markets for women entrepreneurs and to reduce gender-based barriers in the business environment. The applicant is also working within the group to develop a group-wide gender strategy, to be considered by the group's boards in December 2015. In addition, the applicant is applying the Economic Dividend for Gender Equality tool to assess its own diversity and inclusion process.

35. The applicant has an annual target of 25 per cent of all recipients of its financing to small- and medium-sized enterprises to be women-owned enterprises, and its equity portfolio commits to a target of 30 per cent of women among its nominees on company boards by 2015.

36. In its activities, the applicant builds global partnerships, develops new gender products, offers knowledge, provides training, conducts research on the business case for gender and develops tools that support gender-smart business strategies. It also demonstrated extensive in-house gender-related expertise that is headed by a senior gender operations officer.

## III. Conclusions and recommendation

### 3.1 Conclusions

37. Following its assessment the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the GCF basic fiduciary standards, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
  - (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the high E&S risk, Category A/I-1; and
  - (c) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, and has also demonstrated that it has experience with gender and climate change.

### 3.2 Recommendation on accreditation

38. The AP recommends, for consideration by the Board, applicant APL029 for accreditation as follows:

(a) **Accreditation type:**

- (i) **Size of an individual project or activity within a programme:** large (including micro,<sup>4</sup> small<sup>5</sup> and medium<sup>6</sup>);
- (ii) **Fiduciary functions:**
  - 1. Basic fiduciary standards;
  - 2. Specialized fiduciary standard for project management;
  - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity, and guarantees); and
- (iii) **Environmental and social risk category:** High risk (Category A/I-1) (including lower risk (Category B/I-2<sup>7</sup> and Category C/I-3<sup>8</sup>)).

(b) **Conditions:** none.

39. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 38 above, and agrees to the recommendation.

### 3.3 Remarks

40. In the course of its due diligence, the AP has been made aware that in 2011 the applicant conducted an audit of the environmental and social management system of its financial intermediaries and developed an action plan in response to the audit findings. The AP would like to request the applicant to report to the GCF on the progress made in the implementation of this action plan.

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>5</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>6</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

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

41. In the course of its due diligence, the AP has been made aware of the applicant's participation in the work on the harmonization of the E&S standards used by a number of international financial institutions. The AP encourages the applicant to further pursue this initiative among other multilateral financial institutions and inform the GCF on the progress in this process.

## Annex XX: Accreditation assessment of Applicant 030 (APL030)

### I. Introduction

1. Applicant 030 (APL030), the Unidad Para el Cambio Rural (Unit for Rural Change, UCAR) based in Argentina, is a national entity, specifically a government agency within a ministry, located in a developing country in Latin America and the Caribbean, which is responsible for implementing environmental and social (E&S) sustainable projects financed totally or partially by external resources at the national and provincial levels. The applicant offers a wide variety of public investments in rural services and infrastructure through grants, concessional loans and guarantees. The applicant, in partnership with national stakeholders, has a strategy in place to support national sustainable development and growth, particularly in the forestry, agriculture, sugar industry, fisheries, aquaculture, training and innovation sectors. The applicant currently has a climate change project portfolio worth more than US\$ 467.5 million: taking into account programmes related to increasing adaptive capacities, the applicant's portfolio is worth over US\$ 1.3 billion. Accreditation to the GCF will provide an opportunity for the applicant to: incorporate a climate change focus into all of its projects/programmes; further develop adaptation projects in its existing programmes; work on maximizing the impact of the funds; and continue to incorporate gender-focused E&S benefits into projects/programmes.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 27 July 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans and guarantees); and

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

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

- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, have been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant provided evidence in support of its own investigation function, which is part of the investigation function established within the national system for investigations in the public sector in the country in which the applicant is located. The applicant's investigation function is regulated by the local laws and regulations that establish the mechanisms for the internal and external audit of the public sector. The internal audit of the public sector is overseen by the National Internal Audit Office and operationalized through the Internal Audit Department of the ministry of which the applicant is a part. The external audit of the public sector is overseen and conducted by the National External Audit Office. The policies and procedures for executing investigation activities, including the reception of complaints, the procedure for investigating cases and reaching resolutions, as well as the procedure for implementing the appropriate sanctions, if applicable, are clearly established in the applicable regulations.

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

8. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

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

9. The applicant has a proven track record of developing, implementing and executing grant programmes in collaboration with multilateral development banks and international development agencies.
10. The applicant's scope of activities is focused on supporting the development of the national agriculture sector. The impact of investments made by the applicant in infrastructure for the agriculture sector is enhanced by awarding investment grants to private farmers for improvements in their productive capacity. The grant awards serve the purpose of supporting private farming investments that could not have been undertaken without grant support. However, the grant awards do not cover the entire amount of the private investment; the private farmer is responsible for securing the funds for the larger portion of the investment. For example, in some grant programmes the grant portion is limited to a maximum of 30 per cent of the total investment amount.
11. With the assistance of multilateral development banks and international development agencies, the applicant has well-established and effective mechanisms to publicize its grant programmes, as well as the required mechanisms to assess grant requests and the appropriate grant approval procedures (including a qualified evaluation committee) that provide assurance that grants are awarded in a transparent manner using consistent award criteria.
12. The applicant serves as the coordinating unit for the grant award programmes executed at the regional (provincial) level. The applicant has demonstrated that the regional evaluation committees function effectively. Furthermore, the sample of independent evaluation reports provided by the applicant demonstrate that the grant award process is a well-functioning mechanism to enable investments that have a positive impact on the agricultural productivity of the regions benefited by the grants.
13. The applicant has proven procedures to ensure that expenses are appropriately evaluated before they are reimbursed, via the funds of the grant award, as well as for ensuring that there is no duplication in the awarding of grants.
14. The procedures established by the applicant for the awarding of grants have the required provisions to ensure appropriate monitoring and evaluation of grant activities, and the mechanisms to evaluate the impact of the grant programmes.
15. The multilateral development banks that currently fund the applicant's main grant programmes require that a no-objection (from the funding institution) be obtained prior to the final approval of every grant operation. This is noted by the AP as an element to be considered at the time of project/programme appraisal.

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

16. The applicant has provided information regarding the single on-lending programme it currently manages, which is for the benefit of a specific agriculture sector. The on-lending programme assigns responsibility for credit analysis, and disbursement and collection of funds to a trust that is managed by a State-owned bank. The applicant itself does not have the competencies to assess loan applications, nor does it have the required organizational infrastructure to manage the disbursements and collections of such a portfolio. However, the applicant has demonstrated that, in this particular programme, it has the ability to assess the feasibility of identifying, assessing and managing, including monitoring and evaluation, such programmes undertaken by other institutions.
17. The applicant's track record in on-lending operations is limited, and despite demonstrating that, with the support of third parties, it can effectively manage an on-lending

programme, it has not developed the required institutional capacity to meet the GCF specialized fiduciary standard for on-lending and/or blending.

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

18. The applicant has provided a copy of its formal E&S policy which includes an overarching statement of its E&S objectives and principles which guide the institution. The policy was endorsed by its senior management in June 2015. The policy documents are available on the applicant's website, thereby suggesting that they are publicly accessible. The applicant has also provided samples of past projects that it has implemented, which are in line with the GCF E&S policy objectives.

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

19. The applicant's E&S manual contains a comprehensive description of the identification and assessment procedures for E&S risks and impacts, including the due diligence approach. The applicant's eligibility criteria and the E&S procedures defined in the manual are compatible with those of the major multilateral development banks, including the World Bank, and are consistent with the GCF interim environmental and social safeguards (ESS) performance standards 1 to 8. The E&S manual describes an E&S risk categorization framework (i.e. categories A, B and C) in line with the GCF interim ESS, including the names and placement within the organization of the key staff with responsibility for E&S risk classification. Several documents provided by the applicant illustrate its track record of applying the procedures contained in the E&S manual, consistent with the GCF ESS performance standards 1 to 8.

### 2.2.3 Section 6.3: Management programme

20. The applicant's E&S manual describes the institutional process for managing mitigation measures and actions stemming from the E&S risk identification process. The applicant has provided sample project documents, which contain information on projects recently implemented by the applicant, including full E&S impact assessments. The applicant has also provided its guide for external environmental auditing and three sample external audit reports, which demonstrate its capacity to manage E&S mitigation measures and action arising from the E&S risk identification process.

### 2.2.4 Section 6.4: Organizational capacity and competency

21. The applicant has provided a copy of its organizational manual which contains organizational charts and also separately a list and biodata of key staff, including their responsibilities for E&S matters, indicating that the applicant has the capacity to undertake E&S Category B/I-2 projects/programmes.

### 2.2.5 Section 6.5: Monitoring and review

22. The applicant has provided information on its comprehensive and integrated management system that describes the monitoring and review of E&S programmes and sample project monitoring and evaluation reports, which demonstrate that it can meet the required GCF ESS for Category B/I-2 projects/programmes.

### 2.2.6 Section 6.6: External communications

23. The applicant has provided documents which describe the process for its external communications system, including assigned responsibilities. The applicant has a well-functioning website for external communications. It has also provided a register of external

enquiries/complaints received, along with responses from the past two years, which indicate that the enquiries were handled appropriately.

## 2.3 Gender

24. The applicant has provided a copy of its gender policy, which is in line with the GCF gender policy. The applicant has also provided information demonstrating its competency in implementing its gender policy and sample climate change projects with a focus on women.

## III. Conclusions and recommendation

### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management, partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and does not meet the specialized fiduciary standard for on-lending and/or blending for loans and guarantees;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has policies, procedures and competencies to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has also demonstrated that it has experience with gender considerations in the context of climate change.

### 3.2 Recommendation on accreditation

26. The AP recommends, for consideration by the Board, applicant APL030 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    2. Specialized fiduciary standard for project management; and
    3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

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<sup>4</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

- (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>5</sup>)); and
  - (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
    - (i) Condition(s) prior to the approval of the first funding proposal for a grant award programme submitted by the applicant to the GCF:
      - 1. Further develop the current operations and procedures manual to incorporate the features expected to be applied in the grant operations that the applicant will undertake with GCF funds.
27. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 26 above, and agrees to the recommendation.

### 3.3 Remarks

28. The applicant is encouraged to seek readiness and preparatory support to assist it with:
- (a) Meeting the conditions identified in paragraph 26(b) above.

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<sup>5</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex XXI: Accreditation assessment of Applicant 031 (APL031)

### I. Introduction

1. Applicant 031 (APL031), the International Union for Conservation of Nature (IUCN) headquartered in Switzerland, is a non-profit organization that operates internationally in over 150 countries with a wide range of members and partners, including States and government agencies, non-governmental organizations (NGOs), scientists and experts to find practical solutions to environment conservation and sustainable development challenges. It has a strong presence in countries in transition, least developed countries and small island developing States through its regional offices. Its overall programme of work focuses on valuing and conserving nature, ensuring effective and equitable governance of its use, and deploying nature-based solutions to global challenges such as climate change. The applicant does this by undertaking and supporting scientific research, managing and implementing field projects on the ground and bringing together various stakeholders to develop and improve policies, laws and best practices. Currently, the applicant has a project portfolio amounting to US\$ 330 million in grants. It is estimated that half of this portfolio addresses climate change adaptation issues, while 10 per cent contributes to climate change mitigation through greenhouse gas emission reductions. The applicant intends to add significant value to the GCF by implementing its mandate to build capacity, especially in relation to its national government and NGO members. The applicant also plans not only to work towards channelling funding from the GCF to recipient countries, but also to contribute to enhancing their capacity to ensure that they have direct access to multilateral funding.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 26 March 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Global Environment Facility (GEF);
- (c) **Size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

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

- (e) **Environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

## II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF agency. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.
4. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

### 2.1 Fiduciary standards

#### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

#### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5, anti-money laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.
7. Regarding item 4.2.5, the applicant has a comprehensive and mature AML/CFT framework procedure providing the scope, objectives, applicability and 'know-your-customer' process and procedures for the due diligence of its partners. The applicant has also established a publicly available anti-fraud policy which provides a framework covering the definition of fraud, prevention, reporting and responses to fraud, both suspected and actual.
8. The procedure for the expenditure of grants regulates the AML/CFT process with regard to the grants received from donors. Information on the amounts received from grant donors is made publicly available. At the grant appraisal and approval stage, the applicant identifies the grant beneficiary and conducts AML/CFT due diligence, which involves the examination of all the legal and integrity aspects of the business relationship with the counterparty.
9. In addition to these checks, the applicant continuously undertakes monitoring of the funding allocations, including that of electronic transactions, in order to detect possible integrity risks that may arise throughout the life of its business relationships with counterparties.

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

10. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

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

11. The applicant develops and implements various programmes related to climate adaptation based on its grant allocation mechanisms in cooperation with different donor organizations. Each programme follows a competitive grant allocation scheme and is regulated by a specific set of documented procedures and guidelines for the allocation of funds, as well as by the terms of reference for the authorized bodies for assessing grant proposals and making decisions.
12. The grant allocation procedures and guidelines applied to the programmes are comprehensive and well-developed; they contain provisions for calls for grant proposals, security and confidentiality, criteria for exclusion, eligibility, legality, selection and evaluation, as well as procurement procedures.
13. The individual project proposals are submitted to the organization responding to the particular programme announced on the applicant's website and are assessed on the basis of the transparent evaluation criteria. The decisions are taken by the appropriate advisory or steering committee of the programme and the corresponding authorized party of the donor organizations. The decision-making process for the awarding of grants follows a comprehensive and objective scoring system that takes into account various parameters with regard to the eligibility and feasibility of the proposed projects. The donor institution requires a no-objection to be obtained prior to the final approval of the projects selected by the grant award committee for grant funding. This is noted by the AP as an element to be considered at the time of project/programme appraisal by the GCF.
14. The grant disbursement process is regulated by the applicant's grant award programme due diligence procedures. The payments are processed in accordance with the grant contract agreements and are closely monitored under the applicant's project management function. All grants awarded by the applicant are subject to the applicant's AML/CFT policy, which prohibits all forms of corrupt and fraudulent practices.
15. The applicant monitors the implementation of funded grant programme activities through its regional offices, undertakes site visits and supports beneficiaries with professional counselling and advice. The applicant also has the authority to inspect and audit the accounts of the projects and programmes developed with the relevant donor organizations. The donor organizations conduct an independent evaluation of the programme's results and outcomes and prepare recommendations for the improvement of the project management process. The applicant addresses these recommendations and undertakes corrective actions, if applicable.
16. Following the assessment, it has been concluded that the grant award mechanisms implemented by the applicant are mature and well-established.

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

17. The applicant did not apply for accreditation under this standard at this time.

## 2.2 Environmental and social safeguards

### 2.2.1 **Section 6.1: Policy**

18. The applicant developed and institutionalized a new environmental and social management system (ESMS) in 2015, which has been endorsed by its senior management and is available on its website. The ESMS is governed by the applicant's environmental and social (E&S) management framework (ESMF) which provides the overarching policy framework for its managerial and operational measures. It is based on and consolidates the applicant's policies

and experiences, specifically a series of its existing policies and resolutions, guidelines and instruments developed over time, as well as its current practice of implementing them in projects. The ESMF is consistent with operational policy 4.01 of the World Bank<sup>4</sup> and the GEF policy on agency minimum standards on environmental and social safeguards,<sup>5</sup> and has also been influenced by the environmental and social performance standards of the International Finance Corporation.<sup>6</sup>

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

19. The applicant's procedure for the identification and assessment of E&S risks and impacts is described in its ESMF. The roles and responsibilities for the risk identification and assessment procedure have been provided. The ESMS manual provides a tool for E&S impact screening, as well as the terms of reference for the environmental and social impact assessment (ESIA) and a checklist for ESIA appraisal. The applicant has also provided a list of projects/programmes categorized as E&S risk categories B and C.

#### 2.2.3 Section 6.3: Management programme

20. The applicant's ESMS manual describes its ESMS and related steps and procedures, as well as how they are connected to the project cycle. The applicant has provided a sample project, which provides an overview of the actions stemming from the identification of E&S risk.

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

21. The applicant has provided an organizational chart which describes the roles, responsibilities, reporting lines and authority of its experts, including their competencies in implementing the ESMS.

#### 2.2.5 Section 6.5: Monitoring and review

22. The applicant's E&S monitoring and review procedure is described in its ESMF and its link to the project cycle is defined in the ESMS manual. The monitoring and review of the environmental and social management plans (ESMPs) of projects is conducted by the ESMS coordinator, who is supported by the applicant's ESMS expert team. ESMP monitoring reports are publicly disclosed in accordance with the applicant's disclosure policy. The applicant has provided sample project documents to illustrate its monitoring and review process.

#### 2.2.6 Section 6.6: External communications

23. The applicant has a website for overarching external communications in which it shares information and invites interactions on its various global policies, projects and programmes.

24. At the project level, in accordance with the applicant's ESMS, it has established a grievance mechanism – referred to as the project complaints management mechanism – to allow for the expression of and response to complaints related to the implementation of its projects. A description of the procedures related to the project complaints management mechanism was provided in the application, and can be accessed by the public through the

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<sup>4</sup> World Bank. 2013. Operational policy 4.01, "Environmental assessment". Available at <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064724~menuPK:64701637~pagePK:64709096~piPK:64709108~theSitePK:502184.00.html>.

<sup>5</sup> GEF. 2011. Document GEF/C.41/10/Rev.1 titled "GEF policy on agency minimum standards on environmental and social safeguards". Available at [https://www.thegef.org/gef/sites/thegef.org/files/documents/C.41.10.Rev.1.Policy\\_on\\_Environmental\\_and\\_Social\\_Safeguards.Final%20of%20Nov%2018.pdf](https://www.thegef.org/gef/sites/thegef.org/files/documents/C.41.10.Rev.1.Policy_on_Environmental_and_Social_Safeguards.Final%20of%20Nov%2018.pdf).

<sup>6</sup> International Finance Corporation. 2012. Environmental and social performance standards. Available at [http://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards#2012](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards#2012).

applicant's website. The applicant also provided its register of enquiries from three hotlines, including the nature of the enquiries and the applicant's satisfactory responses to address them.

## 2.3 Gender

25. The applicant has provided a copy of its policy on gender equity and equality, initially adopted in 1998 and revised in 2007, and a related international resolution adopted in 2008 to further mainstream gender equity and equality in its projects and programmes, which have been found to be in line with the GCF gender policy. The applicant has also provided a summary of sample projects on climate change with a focus on women, which demonstrate its competencies in gender mainstreaming.

## III. Conclusions and recommendation

### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management, and partially meets the specialized fiduciary standard for grant award and/or funding allocation mechanisms;
- (b) The applicant meets the requirements of the interim ESS of the GCF in relation to medium E&S risk (Category B/I-2); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

### 3.2 Recommendation on accreditation

27. The AP recommends, for consideration by the Board, applicant APL031 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** medium (including micro<sup>7</sup> and small<sup>8</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    2. Specialized fiduciary standard for project management; and

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<sup>7</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>8</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iii) **Environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>9</sup>)); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
  - (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
  - (ii) Develop an operations and procedures manual to incorporate the features expected to be applied in the grant operations that the applicant will undertake with GCF funds, including the procedure for public disclosure of timely information on the award of grants.
28. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 27(b) above, and agrees to the recommendation.

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<sup>9</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## Annex XXII: Accreditation assessment of Applicant 032 (APL032)

### I. Introduction

1. Applicant 032 (APL032), the World Food Programme (WFP) headquartered in Italy, is an international entity whose mandate is to fight hunger worldwide by supporting national, local and regional food security and nutrition plans and programmes. It has built strong relationships with international organizations, non-governmental organizations, civil society and the private sector to enable people, communities and countries to meet their own food needs. With respect to climate change, the applicant plays a role both in helping governments and communities prepare and respond to shocks, as well as in reducing vulnerability and building lasting resilience. Approximately 40 per cent of the applicant's operations include activities designed to reduce disaster risk, build resilience and help people adapt to climate change. In the last decade alone, 47 per cent of its operations included response to climate-related disasters amounting to a total cost of US\$ 23 billion. The applicant seeks accreditation to the GCF in order to contribute to furthering the objectives of the GCF by delivering further climate action in its projects/programmes, promoting results-based management and gender-sensitive programming, and strengthening national and subnational institutional systems to implement programmes.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 20 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** micro;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

4. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 2.1 Fiduciary standards

### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, have been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant has a policy and procedures for processing allegations of violation of the applicant's rules, regulations, policies and standards, which are set out in relation to the activities and projects it finances. All cases are handled by the designated unit that reports to the applicant's Executive Director, and the unit is structurally independent from any interference from other activities of the applicant.

8. In the course of an investigation, based on its findings the designated unit recommends the appropriate administrative or disciplinary action and highlights areas for improvement in the applicant's system. The management team is responsible for the implementation of these recommendations. When an investigation results in evidence of criminal conduct, the designated unit may recommend that the case be referred to the appropriate national authorities.

9. The applicant prepares publicly available annual reports that provide detailed information on cases that have been reported and investigated with regard to violations of the applicant's rules and regulations, policies, procedures and other administrative requirements, such as fraud, corruption, theft, harassment, sexual harassment, sexual exploitation and abuse, and abuse of authority.

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

10. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

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

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

13. Commensurate with the fit-for-purpose accreditation approach and with the nature of Category C/I-3 as being of minimal to no environmental and social (E&S) risk, an E&S policy within an institutional E&S management system is not required for the Category C/I-3 level of

risk. However, the applicant has provided its well-established E&S policy adopted in 1998, which includes a comprehensive statement of the E&S objectives and principles guiding the institution. The applicant has also indicated that it is in the process of revising its E&S policy, which is expected to be approved at its next board meeting in November 2016. The applicant will also establish guidelines for implementing the new policy, as well as formal guidance to internal staff requiring the application of the new E&S policy in all adaptation projects.

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

14. The applicant provided a copy of its environmental review guidelines, which describe its E&S risk and impacts review process, including the categorization of projects and the unit responsible for E&S risk screening. The guidelines also include checklists for various sectors to help identify the E&S risk category. While the applicant's E&S risk and impacts identification process allows it to undertake Category B/I-2 projects, it is applying for Category C/I-3 accreditation only at this time. The applicant additionally provided recent examples of the project approval review process for upcoming Category C/I-3 projects.

#### 2.2.3 Section 6.3: Management programme

15. The applicant provided a copy of its performance management framework, which is applied during project implementation. E&S risks identified during project design and start-up are included and managed as a part of the overall performance management framework implementation process. The applicant provided sample projects, including environmental management and monitoring plans, which demonstrate the applicant's E&S performance management capacity.

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

16. The applicant provided the organizational chart of its program, policy and innovation division, which includes technical experts at the global, regional and country levels who review the potential projects/programmes. These teams include staff who have specialist expertise in natural resource management, agriculture, community infrastructure and public works, as well as environmental management. Furthermore, the designated members have the necessary skills and knowledge of performance standards 1 to 8 of the GCF interim ESS.

#### 2.2.5 Section 6.5: Monitoring and review

17. The applicant has provided information on its minimum monitoring standards and standard operating procedure, which contain project-level monitoring requirements. The evidence provided suggests that the applicant engages actively in monitoring all of its projects. Field monitors are deployed regularly to visit project sites and work with partners to identify and resolve any issues identified. For projects with potential environmental or social impacts, monitoring includes screening and follow-up of the risks identified. The applicant has provided sample projects, which include the E&S component, demonstrating the applicant's capacity to monitor its projects in line with the GCF interim ESS.

#### 2.2.6 Section 6.6: External communications

18. The applicant has a website to receive and register external communications. The applicant provided information on its external communications procedure, which describes the process and responsibilities for receiving, registering and handling external communications. It also provided a sample of supporting documents showing detailed information regarding the enquiries received, including the date and description of the enquiry and the satisfactory resolution.

## 2.3 Gender

19. The applicant provided a copy of its gender policy, which has been found to be in line with the GCF gender policy. The applicant's gender policy sets out a framework for continued mainstreaming of gender into its policies, operational processes and programmes at all levels. The applicant also provided an external evaluation report of one of its projects, which demonstrates the applicant's competencies in implementing its gender policy and practices at the project level. The applicant further provided a detailed description of sample projects related to climate change and gender initiatives.

### III. Conclusions and recommendation

#### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management;
- (b) The applicant meets the requirements of the GCF interim ESS in relation to the minimal to no E&S risk (Category C/I-3); and
- (c) The applicant has demonstrated that it has competencies, policies and procedures to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has demonstrated that it has experience with gender considerations in the context of climate change.

#### 3.2 Recommendation on accreditation

21. The AP recommends, for consideration by the Board, applicant APL032 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** micro;
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards; and
    - 2. Specialized fiduciary standard for project management; and
  - (iii) **Environmental and social risk category:** minimal to no risk (Category C/I-3); and
- (b) **Conditions:** none.

22. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 21 above, and agrees to the recommendation.

## Annex XXIII: Accreditation assessment of Applicant 033 (APL033)

### I. Introduction

1. Applicant 033 (APL033), the World Meteorological Organization (WMO) headquartered in Switzerland, is an international entity focused on weather, climate and water. It provides a unique mechanism for the timely exchange of weather, climate and water data, information and products. Its core activity is to assist countries and national agencies to improve weather and air-quality forecasts, climate predictions, risk assessments, early warnings for extreme weather and climate events, and to provide a growing range of related services for the public and decision makers globally. In the context of climate change, the applicant plays an important role in supporting adaptation to climate variability and change by linking science-based climate predictions and information with the management of climate-related risks and opportunities in major climate-sensitive sectors. The applicant intends to strengthen its assistance to developing countries and small island developing States to enable them to achieve strategic impact in the areas of mitigation of and adaptation to climate change. The applicant seeks accreditation to the GCF in order to achieve maximum results in its projects and add value to the GCF portfolio as a whole by leveraging its know-how and expertise and by engaging in dialogue with its partners on GCF funding opportunities and requirements to ensure, through its assistance, that any related capacity gaps are addressed.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 January 2015. Stage I, institutional assessment and completeness check, and Stage II (Step 1), accreditation review, were concluded. It has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** international access;
- (b) **Track:** fast-track under the Adaptation Fund;
- (c) **Size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<sup>3</sup>

### II. Accreditation assessment

3. The applicant is eligible for, and applied under, the fast-track accreditation process as an Adaptation Fund entity. Its application has been assessed against the standards of the GCF by

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

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

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

the Accreditation Panel (AP) in accordance with the requirements and gaps identified in decisions B.08/03 and B.10/06.

4. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 2.1 Fiduciary standards

### 2.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

5. As per paragraph 3 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

### 2.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

6. As per paragraph 3 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4, investigation function, have been met by way of fast-track accreditation.

7. Regarding item 4.2.4, the applicant has established an internal unit with an appropriate authority to investigate all allegations or presumptions of fraud, waste, mismanagement or misconduct, or significant suspected fraudulent activities within the organization and to notify the Secretary-General, appropriate senior management and its Audit Committee on the results of investigations. The corresponding investigations framework policy is publicly available on the applicant's website.

8. To support the work of the internal unit, the applicant has a direct communication line facility for reporting all cases of fraud, supported by the policy for the protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigators.

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

9. As per paragraph 3 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

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

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

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

## 2.2 Environmental and social safeguards

### 2.2.1 Section 6.1: Policy

12. Commensurate with the fit-for-purpose accreditation approach and with the nature of Category C/I-3 as being of minimal to no environmental and social (E&S) risk, an E&S policy within an institutional environmental and social management system is not required for the Category C/I-3 level of risk. The applicant has applied for Category C/I-3 accreditation, and has indicated that its projects are low risk (Category C). The applicant's website indicates that it plays a leading role in international efforts to monitor and protect the environment through its programmes in collaboration with other international agencies to support the implementation

of a number of environmental conventions and is instrumental in providing advice and assessments to governments on related matters. These activities contribute towards ensuring the sustainable development and well-being of nations.

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

13. The applicant has provided its risk management policy which addresses the management of E&S-related risks and impacts, and includes a process for identifying, managing, monitoring and communicating project-related E&S risks. The applicant has also provided a draft document which describes its new approach to the identification of E&S risks and impacts against the GCF interim environmental and social safeguards (ESS) performance standards 1–8 and how this is implemented throughout the project cycle as part of its E&S risks and impacts management framework. The applicant has indicated that a roll-out session of its new project management framework and related tools (including for E&S risks and impacts management) will be conducted in February 2016. Following this session, new projects will be designed and managed in accordance with this framework with oversight exercised by the applicant's project management board and executive.

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

14. The applicant provided its project management guidelines, which describe key stages of the project life cycle that should be followed by its staff when managing projects. A project management manual complements these guidelines and provides detailed guidance to its staff on how to handle each stage of the process, including tasks and responsibilities, a checklist of programmatic and financial issues to be addressed, and project management tools and templates for key project documents. The applicant provided an internal audit report of its project climate services adaptation programme as evidence of its project management process.

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

15. The applicant has provided the organizational chart of its global-level secretariat, as well as the job descriptions of the members of its project management board, which is responsible for project coordination, and for overseeing project performance through a screening process, management, and monitoring and review process.

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

16. The applicant's monitoring and review process is described in its new approach to E&S risks and impacts management, and is due to be formally approved in early January 2016. The applicant has provided its 2015 internal audit of a project to support climate-related services and adaptation as a recent example of a project monitoring report, which demonstrates the applicant's monitoring and review experience in line with the GCF requirements for Category C/I-3 accreditation.

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

17. The applicant has a well-functioning website that allows it to share information on its programmes and projects. It also has internal procedures and competencies to screen, assess and address issues raised by any external parties. The applicant has a website to receive and register external communications. It has not received any public complaints in the past five years.

## 2.3 Gender

18. The applicant has provided its gender policy, which has been found to be in line with the GCF gender policy, and has demonstrated its competencies in the form of its advocacy in

organizing international conferences on gender. The applicant has also provided sample project documents showing how its climate change projects have addressed non-discriminatory benefits for men and women.

### III. Conclusions and recommendation

#### 3.1 Conclusions

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

- (a) The applicant meets the requirements of the GCF basic fiduciary standards and specialized fiduciary standard for project management;
- (b) The applicant partially meets the requirements of the interim ESS of the GCF in relation to the minimal to no E&S risk (Category C/I-3). The new project management framework, which includes the identification, mitigation, management and monitoring of E&S risks and impacts, is in draft form and has not yet been formalized and adopted; and
- (c) The applicant has demonstrated that it has competencies, policies and procedures by which to implement its gender policy, which is found to be consistent with the gender policy of the GCF, and has also demonstrated that it has experience with gender consideration in the context of climate change.

#### 3.2 Recommendation on accreditation

20. The AP recommends, for consideration by the Board, applicant APL033 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Size of an individual project or activity within a programme:** small (including micro<sup>4</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards; and
    - 2. Specialized fiduciary standard for project management; and
  - (iii) **Environmental and social risk category:** minimal to no risk (Category C/I-3); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the condition(s). The AP will thereafter assess whether the condition(s) has/have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
  - (i) Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:

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<sup>4</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

1. Adopt the new project management framework, which includes the identification, mitigation, management and monitoring of E&S risks and impacts.
21. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 20 above, and agrees to the recommendation.

## Annex XXIV: Summary of recommendations

Table 1: Summary of recommended accreditation types and conditions

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions, recommendations and remarks
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
APL021 ADA	Direct access, national	Small <sup>3</sup>	Basic fiduciary standards; and Specialized fiduciary standard for project management	Medium risk (Category B/1-2) <sup>4</sup>	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Approve, through the applicant's board, the policies and procedures that pertain to investigations. The approved policy should contain the following elements:               <ol style="list-style-type: none"> <li>a. Publicly available terms of reference that outline the purpose, authority and accountability of the function;</li> <li>b. Guidelines to process cases, including standardized procedures to handle complaints received and to manage them before, during and after the investigation process; and</li> <li>c. A registry specifically for cases of fraud and corruption;</li> </ol> </li> <li>2. Publish both (a) and (b) above; and</li> </ol>

<sup>1</sup> "Size" refers to the total projected costs at the time of application, irrespective of the portion that is funded by the GCF, for an individual project or an activity within a programme. Four size categories (micro, small, medium and large) are defined in annex I to decision B.08/02.

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

<sup>3</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>4</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

<p>APL022 MOFEC</p>	<p>Direct access, national</p>	<p>Small</p>	<p>Basic fiduciary standards; and Specialized fiduciary standard for project management</p>	<p>Medium risk (Category B/1-2)</p> <p>3. Formalize the process for periodically reporting case trends</p> <p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Finalize the recruitment of an E&amp;S expert to help to oversee the project management cycle under the applicant's facility; and</li> <li>2. Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public</li> </ol> <p><u>Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016. All information shall be included on an annual basis within a semi-annual progress report consistent with the requirements of the GCF monitoring and accountability framework for accredited entities:<sup>5</sup></u></p> <ol style="list-style-type: none"> <li>3. Report progress in respect of all projects and programmes being undertaken. The report should include information on:             <ol style="list-style-type: none"> <li>a. Progress on activities vis-à-vis a plan with specific indicators;</li> <li>b. Budget variances and analysis;</li> <li>c. Major risks and issues, if any, that may or are impacting the execution of a project/programme; and</li> <li>d. Brief qualitative write-up, including the likelihood of the project achieving its planned objectives (results, budget and schedule);</li> </ol> </li> <li>4. Provide the annual audit reports of projects/programmes, including verification of assets, prepared by the office of the federal auditor general within four months of the close of each year to the GCF; and</li> <li>5. Provide the annual audit reports on procurement related to projects/programmes where substantial procurement has</li> </ol>
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<sup>5</sup> Decision B.11/10.

<p>been undertaken by an executing entity, which is not a public sector body, to the GCF</p>	<p><u>Remarks:</u></p>
<p>The AP notes the applicant's keen interest in developing and implementing climate change projects and programmes that are medium and large in size. Recognizing that the applicant has experience in medium and large-sized projects, albeit primarily in cooperation with international organizations, the AP encourages the applicant to continue enhancing its financial, environmental and social policies and procedures, and to build capacity to allow it to independently develop and manage projects and programmes of medium and large sizes. With the possibility to apply in the future for an upgrade of its accreditation type from small to medium-sized projects and activities within a programme, the applicant should consider the provision of evidence as proof of its capability to independently manage medium-sized projects/activities within a programme. This evidence may be provided in the form of an independent evaluation report for a small-sized project undertaken independently by the applicant using the project management framework recently developed for use by the applicant's facility. The evaluation should be undertaken by an independent party, which may include a consultant or consultancy firm appointed on the basis of an international tender. The evaluation should cover a reasonable project execution period, including:</p> <ul style="list-style-type: none"> <li>(b) Project design and appraisal;</li> <li>(c) Project planning and implementation;</li> <li>(d) Project administration and execution;</li> <li>(e) Project M&amp;E; and</li> <li>(f) Associated corrective actions</li> </ul>	

<p>The AP would reassess the applicant's capacity to satisfactorily execute projects on the basis of this evaluation report and any other supporting evidence provided at the time. Based on a satisfactory outcome, the AP could recommend the applicant for an upgrade of its accreditation type, as defined in paragraph 33(a) of annex V, for a higher size category (e.g. medium or large) to the Board for its consideration and decision-making</p>				
<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Use external support, including that from co-financiers, acceptable to the GCF, to help to prepare projects or programmes that invoke any of performance standards 2 to 8</li> </ol> <p><u>Remarks:</u></p> <ol style="list-style-type: none"> <li>1. The applicant is requested to share key features of its gender development plan, as and when it is finalized, including efforts the applicant has made to enhance the capacities of its staff on gender-related programming</li> </ol>	<p>Medium risk (Category B/1-2)</p>	<p>Basic fiduciary standards; and Specialized fiduciary standard for project management</p>	<p>Micro<sup>6</sup></p>	<p>Direct access, national</p>
<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public</li> </ol> <p><u>Remarks:</u></p>	<p>High risk (Category A/1-1)<sup>8</sup></p>	<p>Basic fiduciary standards; Specialized fiduciary standard for project management;</p>	<p>Large<sup>7</sup></p>	<p>Direct access, regional</p>

<sup>6</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>7</sup> As per annex I to decision B.08/02, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above US\$ 250 million for an individual project or an activity within a programme".

<sup>8</sup> As per annex I to decision B.07/02, category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

<p><b>APL025</b> <b>Crédit Agricole</b> <b>CIB</b></p>	<p>International access, private sector</p>	<p>Large</p>	<p>Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)</p>	<p>High risk (Category A/I-1)</p>	<p>1. The Accreditation Panel notes that the applicant has well-developed internal E&amp;S training programmes for its employees. The applicant is encouraged to share such experience with the financial institutions in the region in this regard</p>
<p><b>APL026</b> <b>HSBC</b></p>	<p>International access, private sector</p>	<p>Large</p>	<p>Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)</p>	<p>High risk (Category A/I-1)</p>	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. This process should be aligned with the requirements of the GCF regarding disclosure of project information;</li> <li>2. Develop a tracking system or register within the external communications mechanism to document questions or complaints received from the general public and from clients, as well as responses to them, for projects and programmes financed by the GCF; and</li> <li>3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by the GCF</li> </ol> <p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Provide the Fund, through the Secretariat, with a letter of comfort executed by the appropriate authority within the</li> </ol>

			<p>Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)</p>		<p>applicant entity stating that it is taking the necessary actions to strengthen its internal controls related to compliance with relevant regulations, including, but not limited to, risk management, management of operational risk, and anti-money laundering and countering the financing of terrorism;</p> <ol style="list-style-type: none"> <li>2. Develop a process for publicly disclosing information on beneficiaries and results of projects and programmes that are financed by the GCF. This process should be aligned with the requirements of the GCF regarding disclosure of project information; and</li> <li>3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender competencies to implement the policy/approach on projects and programmes funded by the GCF</li> </ol> <p>(g) <u>Other condition(s)</u>:</p> <ol style="list-style-type: none"> <li>1. Provide the Fund, through the Secretariat, with its annual reports that disclose information on regulatory compliance;</li> </ol>
<p><b>APL027</b> <b>AfDB</b></p>	<p>International access</p>	<p>Large</p>	<p>Basic fiduciary standards; Specialized fiduciary standard for project management; Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and Specialized fiduciary standard for on-lending and/or</p>	<p>High risk (Category A/I-1)</p>	<p><u>Condition(s) to be met for an approved project/programme that has an equity structure to be invested in by the GCF to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Prior to the first disbursement from the GCF to the equity issuer, submit draft terms of reference for the annual audit, which has to be included in the constitutional document of the equity issuer, for review and approval by the GCF; and</li> <li>2. Undertaking in the funded activity agreement to provide the GCF on an annual basis for the first three consecutive years with annual audit reports and information on the status of recommendations that may arise from such reports. After the</li> </ol>

				blending (for loans, equity and guarantees)		first three years, the GCF will review the need to extend this condition
<b>APL028 EIB</b>	International access	Large	Basic fiduciary standards; Specialized fiduciary standard for project management; Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	High risk (Category A/I-1)	<p><u>Conditions:</u> none</p> <p><u>Remarks:</u></p> <p>1. The applicant is encouraged to further enhance its strategic approach to gender with a view to integrating a formalized gender-sensitive approach in its ongoing operations. The applicant is invited to share such a strategy with the GCF once it is finalized and formally adopted</p>	
<b>APL029 IFC</b>	International access	Large	Basic fiduciary standards; Specialized fiduciary standard for project management; Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and Specialized fiduciary standard for on-lending and/or	High risk (Category A/I-1)	<p><u>Conditions:</u> none</p> <p><u>Remarks:</u></p> <p>1. In the course of its due diligence, the AP has been made aware that in 2011 the applicant conducted an audit of the environmental and social management system of its financial intermediaries and developed an action plan in response to the audit findings. The AP would like to request the applicant to report to the GCF on the progress made in the implementation of this action plan</p> <p>2. In the course of its due diligence, the AP has been made aware of the applicant's participation in the work on the harmonization of the E&amp;S standards used by a number of international financial institutions. The AP encourages the</p>	

APL030 UCAR	Direct access, national	Small	blending (for loans, equity and guaranteees)	Medium risk (Category B/1-2)	<p>applicant to further pursue this initiative among other multilateral financial institutions and inform the GCF on the progress in this process</p> <p><u>Condition(s) prior to the approval of the first funding proposal for a grant award programme submitted by the applicant to the GCF:</u></p> <ol style="list-style-type: none"> <li>Further develop the current operations and procedures manual to incorporate the features expected to be applied in the grant operations that the applicant will undertake with GCF funds</li> </ol>
APL031 IUCN	International access	Medium	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Medium risk (Category B/1-2)	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>Develop an operations and procedures manual to incorporate the features expected to be applied in the grant operations that the applicant will undertake with GCF funds, including the procedure for public disclosure of timely information on the award of grants</li> </ol>
APL032 WFP	International access	Micro	Basic fiduciary standards; and	Minimal to no risk (Category C/1-3) <sup>9</sup>	<p><u>Conditions:</u> none</p>

<sup>9</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

<p><b>APL033</b> <b>WMO</b></p>	<p>International access</p>	<p>Small</p>	<p>Specialized fiduciary standard for project management</p>	<p>Minimal to no risk (Category C/1-3)</p>	<p><u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <ol style="list-style-type: none"> <li>1. Adopt the new project management framework, which includes the identification, mitigation, management and monitoring of E&amp;S risks and impacts</li> </ol>
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## Annex XXV: Additional entities of other relevant funds for fast-track accreditation eligibility

### I. Background

1. In decision B.08/03, paragraphs (e–g), the Board decided that entities under the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO) up to and including 17 October 2014 and in full compliance with those institutions' requirements, as contained in annex V to decision B.08/03, are eligible to apply under the fast-track accreditation process for the accreditation requirements of the GCF identified in relevant paragraphs of the decision.
2. In decision B.10/06, the Board expanded the list of entities eligible to apply under the same fast-track approach assuming all prerequisite criteria were met to include those under the GEF, the AF and DG DEVCO up to and including 9 July 2015.
3. The entities presented below are entities that have been accredited by the AF and DG DEVCO since 9 July 2015. No new entities have been accredited by the GEF since this time; however, an update has been provided on the status of signature of the memorandum of understanding for GEF agencies that have been approved to progress to Stage III of the GEF's accreditation process by the GEF Accreditation Panel.

### II. Adaptation Fund

Table 1: Adaptation Fund – national implementing entities since 9 July 2015<sup>1</sup>

Name	Acronym	Country
Environment Division of the Ministry of Health and the Environment	Environment Division	Antigua and Barbuda
Ministry of Finance and Economic Development <sup>2</sup>	MOFED	Ethiopia

Table 2: Adaptation Fund – regional implementing entities since 9 July 2015<sup>3</sup>

Name	Acronym	Country
Central American Bank for Economic Integration	CABEI	Honduras
Caribbean Development Bank	CDB	Barbados

<sup>1</sup> The list of the national accredited entities of the AF is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity/>>. Adaptation Fund. 2015. Document AFB-B.25-26/9-12 titled "Nineteenth Accreditation Panel Meeting decisions". Available at <<http://www.adaptation-fund.org/wp-content/uploads/2015/08/AFB-Decision-B-25-26-9-12-AP19.pdf>>. Adaptation Fund. 2016. Decision B.26-27/24 available at <<https://www.adaptation-fund.org/document/accreditation-of-mofed/>>.

<sup>2</sup> The entity is now known as the Ministry of Finance of Economic Cooperation (MOFEC).

<sup>3</sup> The list of the regional accredited entities of the AF is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/regional-implementing-entities/>>. Adaptation Fund. 2015. Document AFB-B.25-26/9-12 titled "Nineteenth Accreditation Panel Meeting decisions". Available at <<http://www.adaptation-fund.org/wp-content/uploads/2015/08/AFB-Decision-B-25-26-9-12-AP19.pdf>>.

**Table 3: Adaptation Fund – multilateral implementing entities since 9 July 2015<sup>4</sup>**

Name	Acronym
United Nations Human Settlements Programme	UN-Habitat

### III. Directorate-General for International Development and Cooperation of the European Commission

**Table 4: Directorate-General for International Development and Cooperation of the European Commission – national public sector bodies or bodies governed by private law with a public service mission that have undergone European Union institutional compliance assessments (six pillar assessments) since 9 July 2015<sup>5</sup>**

Name	Acronym	Country
Cassa Depositi e Prestiti S.p.A.	CDP	Italy
Groupe Agence Française de Développement	PROPARCO	France

4. On 8 October 2015, DG DEVCO confirmed to the Secretariat that the national public sector bodies or bodies governed by private law with a public service mission listed in the table above have been successfully assessed, meet the requirements of the relevant European Union (EU) legislation and are authorized to carry out EU budget implementation tasks without conditions concerning their institutional compliance.

### IV. Global Environment Facility

5. Since 9 July 2015, no additional agencies have completed Stage II of the GEF accreditation procedure (review by the GEF Accreditation Panel).

6. Four entities, Fundo Brasileiro para a Biodiversidade – Brazil (FUNBIO), the Foreign Economic Cooperation Office – China (FECO), the Development Bank of Latin America, and Banque Ouest Africaine de Développement, received approval from the GEF Accreditation Panel to progress from Stage II to Stage III (the final stage, which involves signing formal agreements, including the memorandum of understanding and financial procedures agreement between the GEF and the entity), as per document GEF/C.48/10/Rev.01 titled “Progress report on the pilot accreditation of GEF project agencies” and noted by the GEF Council in the “Joint summary of the Chairs, 48th GEF Council Meeting, 2–4 June 2015”.<sup>6</sup>

7. Entities must complete Stage III of the GEF accreditation procedure in order to become a fully accredited agency under the GEF.

<sup>4</sup> The list of the multilateral accredited entities of the AF is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/multilateral-implementing-entities/>>. Adaptation Fund. 2015. Document AFB-B.25-26/9-12 titled “Nineteenth Accreditation Panel Meeting decisions”. Available at <<http://www.adaptation-fund.org/wp-content/uploads/2015/08/AFB-Decision-B-25-26-9-12-AP19.pdf>>. Adaptation Fund. 2016. Decisions B.26-27/23 available at <<https://www.adaptation-fund.org/document/accreditation-of-caribbean-development-bank-cdb/>>.

<sup>5</sup> The list of national public sector bodies or bodies governed by private law with a public service mission that have undergone European Union institutional compliance assessments (pillar assessments) was provided by DG DEVCO to the Secretariat and approved for publication on 23 February 2016.

<sup>6</sup> GEF. 2015. Document GEF/C.48/10/Rev.01 titled “Progress report on the pilot accreditation of GEF project agencies”. Available at <<https://www.thegef.org/gef/node/11199>>. The report has also been noted in the “Joint summary of the Chairs, 48th GEF Council Meeting, 2–4 June 2015”. Available at <<https://www.thegef.org/gef/node/11274>>.

8. To date, of the four entities, FUNBIO and FECO have signed the memorandum of understanding and financial procedures agreement in Stage III of the GEF accreditation process.

## Annex XXVI: Template accreditation master agreement

Please note that this annex is reproduced from the original here without any changes, including the page numbering.



**GCF**  
**ACCREDITATION**  
**MASTER AGREEMENT**

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This ACCREDITATION MASTER AGREEMENT (the “**Agreement**”) is entered into on [DATE] [MONTH] 2016 between

[**NAME OF ACCREDITED ENTITY**], [a non-profit organisation] [a public law institution] [national/international/multilateral organisation] [development bank] [private/public company with limited liability]<sup>1</sup>, organised and existing under the laws of [**specify country**] [pursuant to [**specify authorising instrument**]]<sup>2</sup> and having its registered office at [**specify address**], [represented by [**name/ title of authorised signatory**]] and which has received Accreditation (as defined below) (the “**Accredited Entity**”); and

**THE GREEN CLIMATE FUND**, designated as an operating entity of the financial mechanism under Article 11 of the United Nations Framework Convention on Climate Change and established pursuant to the Governing Instrument (as defined below) possessing juridical personality in order to operate effectively internationally, having such legal capacity as is necessary for the exercise of its functions and the protection of its interests and having its headquarters at Songdo, Incheon, Republic of Korea (“**GCF**” or the “**Fund**”),

each a “**Party**” and together the “**Parties**”.

WHEREAS

- (A) The Accredited Entity has been accredited by the Board (as defined below) pursuant to paragraph 45 of the Governing Instrument, subject to and in accordance with the assessment of the Accreditation Panel;
- (B) The Board has endorsed that the Fund shall enter into agreements with accredited entities;
- (C) The Board has authorised the Executive Director – or his/her designee - on behalf of the Fund to negotiate and agree on the terms and conditions of such agreements with accredited entities, reflecting the scope of the accreditation, and to enter into such agreements.

THE PARTIES HEREBY AGREE AS FOLLOWS:

## **Clause 1 Definitions and Interpretations**

1.01 In this Agreement:

“Accountability Units” means the Evaluation Unit, the Integrity Unit and the Redress Mechanism of the Fund;

“Accreditation” means the Decision, accrediting an entity, pursuant to paragraph 45 of the Governing Instrument, and subject to, and in accordance with, the assessment by the Accreditation Panel, and the terms “Accredit” and “Accredited” will have a commensurate meaning;

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<sup>1</sup> Tailor the applicable Accredited Entity and delete as appropriate.

<sup>2</sup> Delete if the Accredited Entity is not governed by an authorising instrument.

“Accreditation Panel” means the independent technical panel established by the Board pursuant to Decision B.07/02 to advise it on matters relating to the Accreditation of entities by the Board;

“Accredited Entity Insolvency Event” means any event where the Accredited Entity:

- (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (ii) becomes insolvent, or is unable to pay its debts as they become due, or fails or admits in writing its inability to pay its debts as they become due;
- (iii) makes a general assignment, arrangement or composition, or other arrangement for the benefit of its creditors;
- (iv) institutes or has instituted against it, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation and such proceeding or petition results in (i) a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not withdrawn, dismissed, discharged, stayed or restrained, in each case within thirty (30) days of the institution or presentation thereof;
- (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;
- (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive); or
- (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts referred to paragraphs (i) to (vii) above;

“Affiliate” means in relation to any Party, any entity that directly or indirectly: (i) is controlled by the Party; (ii) controls the Party; or (iii) is under common control with the Party. For this purpose, “control” of an entity or Party means ownership of a majority of the voting power of the entity or Party, or as otherwise agreed by the Parties and set out in the relevant FAA;

“Agreement” means this GCF Accreditation Master Agreement between the Fund and the Accredited Entity;

“AML/CFT” means anti-money laundering and countering the financing of terrorism;

“APR” means an annual performance report;

“Arbitration Rules” means the arbitration rules of the arbitral body or organisation specified in Clause 29.03 of this Agreement in force as at the date of this Agreement as may be amended from time to time;

“Board” means the board of the Fund established pursuant to the provisions of the Governing Instrument;

“Concept Note” means a concept note prepared and submitted to the Fund by the Accredited Entity for a project, programme or investment;

“Confidential Information” means information, however recorded or preserved, disclosed by a Party to the other Party, relating to a proposed project, programme, or investment or Funded Activity, which is described and/or marked as “confidential” at the time of disclosure;

“Convention” means the United Nations Framework Convention on Climate Change;

“COP” means the conference of the parties to the Convention;

“Date of Accreditation” means the date the Board Accredits the Accredited Entity;

“Decision” means a decision of the Board;

“Disbursement Schedule” means the disbursement schedule as set out in an FAA;

“Environmental and Social Standards” or “ESS” means the interim environmental and social safeguards of the Fund as set out in Annex III to Decision B.07/02;

“Environmental and Social Risk Categories” means the categories and levels of intermediation specified in the Framework for Accreditation Process;

“Euro” and “EUR” each means the lawful currency of the Euro Zone;

“Euro Zone” means the economic and monetary union of member states of the European Union that adopt the single currency in accordance with the treaty of Maastricht establishing the European Community, as amended by the treaty of Lisbon on the functioning of the European Union;

“Evaluation Unit” means the operationally independent evaluation unit to be established by the Board pursuant to paragraph 60 of the Governing Instrument;

“Executing Entity” means any entity, which includes, as the case may be, a developing country which is a party to the Convention, through which GCF Proceeds are channelled or used for the purposes of a Funded Activity or part thereof, and/or any entity that executes, carries out or implements a Funded Activity, or any part thereof. For the avoidance of doubt, the Accredited Entity may also carry out the functions of an Executing Entity;

“Executive Director” means the head of the Secretariat appointed by the Board from time to time;

“Expert” means an expert or consultant providing services under contractual arrangements with the Fund, including the Accountability Units;

“Fiduciary Principles and Standards” means the initial fiduciary principles and standards of the Fund as set out in Annex II to Decision B.07/02;

“Fitch” means Fitch Ratings Ltd. and any successor to its rating business;

“Framework for Accreditation Process” means the Fund’s initial guiding framework for its accreditation process, adopted in Decision B.07/02 and contained in Annex I to that Decision, and in Decision B.08/02 and contained in Annex I to that Decision;

“Focal Point” means the individual or authority designated by a developing country party to the Convention to fulfil all functions of an NDA on a temporary basis, until it has designated an NDA;

“Force Majeure” means any act of God, war (whether declared or not), invasion, revolution, insurrection or other acts or events of a similar nature or force, to the extent that they constitute (i) an unforeseeable exceptional situation or event, (ii) beyond the Parties’ control (iii) which prevents either of the Parties from fulfilling any of their obligations under this Agreement or under an FAA for a Funded Activity;

“Fund Agent” means a third party retained by the Fund to perform certain functions or activities on behalf of the Fund, as set forth in Clause 17.04;

“Funded Activity” means, unless otherwise specified in the FAA applicable to that Funded Activity, a GCF Project and/or a GCF Programme or part thereof;

“Funded Activity Agreement” or “FAA” means any agreement relating to a Funded Activity entered into by the Parties pursuant to Clause 6.02 of this Agreement and that meets the requirements of Clause 6.03 of this Agreement;

“Funding Proposal” means the proposal, including any annexes thereto, in a form as may be prescribed by the Fund, referred to in Clause 4.01 of this Agreement, requesting funding (whether in the form of grants, loans or otherwise) for a project, programme activity or investment;

“GCF Account” means the separate bank or ledger account (as expressly specified in an FAA) acceptable to the Fund, which shall be interest bearing in accordance with any interest policies of the Accredited Entity, and to be established by the Accredited Entity to, as applicable, record, receive, hold and administer GCF Proceeds and Other GCF Funds;

“GCF Fiscal Year” means 1 January through 31 December of each calendar year;

“GCF Holding Currency” means USD, JPY, EUR or GBP, or such other currency as designated by the Fund from time to time;

“GCF Proceeds” means funds transferred, provided or disbursed by the Fund via the Trustee or via an account designated by the Fund, in connection with a Funded Activity pursuant to this Agreement or in accordance with the terms and conditions of an FAA, which for the purposes of this Agreement shall not include any fees payable to the Accredited Entity pursuant to Clause 12;

“GCF Programme” means a programme comprising several projects, activities and/or investments for which a Funding Proposal has been approved by the Board;

“GCF Project” means a project, activity or investment for which a Funding Proposal has been approved by the Board;

“Gender Policy” means the Fund’s gender policy and gender action plan adopted in Decision B.09/11;

“General Principles on Prohibited Practices” means the Fund’s General Principles to Prevent Prohibited Practices, the current version of which is attached as Exhibit A;

“Goods” means goods, equipment and materials to be financed from GCF Proceeds, but excluding Services;

“Governing Instrument” means the instrument entitled ‘Governing Instrument for the Green Climate Fund’, that was approved by the COP at its seventeenth session on 11 December 2011 and is annexed to Decision 3/CP.17;

“Host Country” means the country or countries in which a Funded Activity is to be, is being, or has been, implemented pursuant to any FAA;

“Information Disclosure Policy” means the interim information disclosure practice adopted in Decision B.05/15;

“Integrity Unit” means the independent integrity unit to be established by the Board pursuant to paragraph 68 of the Governing Instrument;

“Investment Framework” means the initial investment framework of the Fund adopted in Decisions B.07/06 and B.09/05;

“Investment Income” means any income, interest or gains earned on the GCF Proceeds held in the GCF Account;

“Japanese Yen” and “JPY” each means the lawful currency of Japan;

“Large-sized Activity” means a project, activity within a programme or investment where the total projected costs as agreed by the Parties at the time of submission of the Funding Proposal to the Board are above USD 250 million (or the equivalent amount thereto measured in any other GCF Holding Currency) or such other amount as may be subsequently specified in a Decision for such sized activity;

“Major Change” means any Funded Activity restructuring that involves a major change in Funded Activity scope, structure or design, a major change in the Funded Activity’s objectives, a reallocation of GCF Proceeds affecting the Funded Activity’s scope or objectives, or any other change that substantially alters the purpose or benefit of the Funded Activity;

“Medium-sized Activity” means a project, activity within a programme or investment where the total projected costs as agreed by the Parties at the time of submission of the Funding Proposal to the Board are above USD 50 million and up to and including USD 250 million (or the equivalent amount thereto measured in any other GCF Holding Currency) or such other amounts as may be subsequently specified in a Decision for such sized activity;

“Micro-sized Activity” means a project, activity within a programme or investment where the total projected costs as agreed by the Parties at the time of submission of the Funding Proposal to the Board are up to and including USD 10 million (or the equivalent amount thereto measured in any other GCF Holding Currency) or such other amounts as may be subsequently specified in a Decision for such sized activity;

“Monitoring and Accountability Framework” means the initial monitoring and accountability framework adopted by the Board in Decision B.11/10;

“Moody’s” means Moody’s Investors Service Limited or any successor to its rating business;

“NDA” means the authority designated by a developing country party to the Convention pursuant to paragraph 46 of the Governing Instrument;

“No-Objection Letter” means a letter from an NDA or, if applicable, a Focal Point, signed by its Official Representative, confirming that it has no objection to a Funding Proposal proposed by an Accredited Entity in its country;

“No-Objection Procedure” means the initial ‘no-objection procedure’ for Funding Proposals, as approved in Decision B.08/10;

“Official Representative” means the official representative of an NDA or, if applicable, Focal Point, details of whom are registered with the Fund;

“Other GCF Funds” means Investment Income and Reflowed Funds;

“PCA” means the Permanent Court of Arbitration in The Hague, the Netherlands;

“Pound Sterling” and “GBP” each means the official currency of the United Kingdom;

“Prohibited Practices” means the prohibited practices set forth in paragraph 4 of the General Principles on Prohibited Practices;

“Project and Programme Activity Cycle” means the initial proposal approval process adopted in Decision B.07/03, including Annex VII to that Decision;

“Redress Mechanism” means the independent redress mechanism, to be established by the Board pursuant to paragraph 69 of the Governing Instrument;

“Reflowed Funds” means any funds reflowed to the Accredited Entity or directly to the Fund via the Trustee (or such other entity or account as the Fund may designate), as the case may be, which were originally distributed by or through the Accredited Entity from GCF Proceeds including, but not limited to, reimbursement or repayment, payments of principal, interest, dividends and fees, as appropriate, but excluding any unused or undisbursed funds with respect to a Funded Activity;

“Reporting Period” means, until an FAA has been entered into, the reporting period for a Funded Activity as set out in the relevant Term Sheet or, once an FAA has been entered into for that Funded Activity, as set out in the FAA;

“Request for Disbursement” means a written request submitted by the Accredited Entity to the Fund for the transfer of funds to the Accredited Entity for Funded Activities, the form of which is attached as Annex 6 (*Request for Disbursement*);

“Results Management Framework” means the initial results management framework of the Fund adopted in Decisions B.07/04 and B.08/07;

“S&P” means Standard & Poor's Financial Services LLC or any successor to its rating business;

“Secretariat” means the Secretariat of the Fund established by the Fund pursuant to paragraph 19 of the Governing Instrument;

“Services” means the services to be financed from GCF Proceeds;

“Small-sized Activity” means a project, activity within a programme or investment where the total projected costs as agreed by the Parties at the time of submission of the Funding Proposal to the Board are above USD 10 million and up to and including USD 50 million (or the equivalent amount thereto measured in any other GCF Holding Currency), or such other amounts as may be subsequently specified in a Decision for such sized activity;

“Staff” means all the staff of the Fund, including the Executive Director and the staff of any subsidiary body or facility established by the Fund, irrespective of their nationality, with the exception of the persons recruited locally and assigned to hourly rates of pay;

“Standards” means together, the Fiduciary Principles and Standards, the Environmental and Social Standards and the Gender Policy;

“Stakeholder Engagement Best Practices” means the best-practice options for country co-ordination and multi-stakeholder engagement, endorsed in Decision B.08/10 and set out in Annex XIV to that Decision;

“Subsidiary Agreement” means any agreement entered into by the Accredited Entity on the basis of or in connection with this Agreement, unless expressly agreed otherwise in an FAA, in its own name and on its own behalf, with an Executing Entity (that is not the Accredited Entity);

“TAP” means the independent technical advisory panel established by the Board;

“Term Sheet” means a document setting out, in summary form, the key terms and conditions specific to and relating to a Funding Proposal agreed by the Parties pursuant to Clause 6.01 of this Agreement, an indicative form of which is attached as Annex 1 (Term Sheet);

“Trustee” means the International Bank for Reconstruction and Development serving as the interim trustee of the Trust Fund and any replacement or successor entity, serving as the interim or permanent trustee of the Trust Fund assets;

“Trust Fund” means the Green Climate Fund Trust Fund (MTO No. 069022) administered by the Trustee;

“UNCITRAL” means the United Nations Commission on International Trade Law; and

“US Dollars” and “USD” each means the lawful currency of the United States of America.

- 1.02 The Parties acknowledge that this Agreement sets out the general terms and conditions applicable between them for the Accredited Entity’s role as accredited entity. This Agreement shall apply to all Funded Activities, save as supplemented or amended, as the case may be, by the specific terms of any FAA entered into by the Parties in relation to a specific Funded Activity, which shall prevail for that specific Funded Activity. As such, any derogation, deviation or modification of this Agreement that is provided for in an FAA shall be justified by the specific requirements of the respective Funded Activity, will only apply with respect to the Funded Activity to which such FAA relates and shall have no application or effect in relation to any other FAA entered into with respect to another Funded Activity. Amendments to this Agreement may only be made pursuant to Clause 32.10.

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- 1.03 In the event of any inconsistency or conflict between this Agreement and an FAA for a specific Funded Activity, the terms of the FAA shall prevail for the purposes of that Funded Activity.
- 1.04 References to the Fund's Standards, rules, policies, principles, procedures and frameworks include, subject to Clause 32.04 where applicable, such Standards, rules, policies, principles, procedures and frameworks as amended and updated from time to time, or any successor document thereto.
- 1.05 The headings contained in this Agreement and the Table of Contents are for reference only and shall not be taken into consideration in interpreting this Agreement.
- 1.06 References to singular may include plural and vice versa, and a reference to any gender includes any other gender.
- 1.07 For the avoidance of doubt, the Fund includes the Accountability Units.

## **Clause 2 Effective Date and Conditions Precedent to Agreement**

- 2.01 Except as the Fund and the Accredited Entity may otherwise agree, this Agreement shall be effective from the date upon which the Fund dispatches to the Accredited Entity a notice of its acceptance of the evidence required by Clause 2.02 below.
- 2.02 Unless otherwise specified in writing by the Fund, this Agreement shall not become effective until the following evidence, in form and substance satisfactory to the Fund, has been provided:
- (a) an executed copy of this Agreement; and
  - (b) either:
    - (i) a legal opinion, issued by a reputable and nationally recognised law firm, in form and substance satisfactory to the Fund; [or
    - (ii) a certificate in a form that is satisfactory to the Fund, which has been signed by a competent official of the government of the Accredited Entity;]<sup>3</sup> [or
    - (iii) a certificate [as to the laws of the Accredited Entity], in a form that is satisfactory to the Fund, which has been signed by the most senior legal officer of the Accredited Entity,]<sup>4</sup>

certifying that the Agreement entered into by the Accredited Entity has been duly authorised or ratified by all necessary corporate actions, duly executed and delivered on behalf of the Accredited Entity, and is legally binding upon the Accredited Entity in accordance with its terms.

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<sup>3</sup> Delete if Accredited Entity is not a State entity.

<sup>4</sup> Delete, if Accredited Entity is not a multilateral development bank, private entity or similar.

### **Clause 3 Conditions Precedent to Disbursement**

- 3.01 The Accredited Entity acknowledges that in accordance with the relevant Decision Accrediting it, the Fund may not disburse any funds to it for a Funded Activity, until it has satisfied the conditions, if any, (a) contained in that Decision and repeated (or as supplemented) in Annex 2 (*Conditions Precedent to Disbursement*) of this Agreement; and (b) set forth in the relevant FAA.

### **Clause 4 Project/Programme Pipeline and Funding Proposals**

- 4.01 The Accredited Entity may submit Funding Proposals for projects, programme activities or investments to the Fund, either:
- (a) in response to a call for Funding Proposals published by the Fund on its website; and/or
  - (b) of its own volition, in all instances in accordance with the provisions of this Clause 4, the Project and Programme Activity Cycle, and any other steps or actions as may be prescribed by the Fund from time to time.
- 4.02 Prior to the submission of a Concept Note, if applicable, but in any event in a timely manner and no later than the submission of the Funding Proposal so as to comply with the submission of the No-Objection Letter in accordance with Clause 4.11 and the No-Objection Procedure, the Accredited Entity shall:
- (a) inform the NDA or, if applicable, the Focal Point about the proposed activity to be implemented in their country and commence consultations; and
  - (b) inform the Fund that it has commenced consultations with the NDA or, if applicable, the Focal Point.

#### ***Submission and Consideration of Concept Note (where applicable)***

- 4.03 Prior to submission of a Funding Proposal, the Accredited Entity may submit a Concept Note to the Fund in accordance with such procedures as may be prescribed by the Fund from time to time.

#### ***Preparation of Funding Proposal***

- 4.04 The Accredited Entity shall prepare a Funding Proposal in accordance with the considerations and requirements set forth in the Investment Framework, the Results Management Framework, and any other applicable Decisions, all without prejudice to Clause 32.04.
- 4.05 In preparing each Funding Proposal, the Accredited Entity shall:
- (a) comply, and, as the case may be:
    - (i) cause the Executing Entity in the Subsidiary Agreement to comply and to oblige compliance by all other persons and entities involved; or
    - (ii) include in the Subsidiary Agreement, if it is entered into after the Funding Proposal has been submitted to the Fund, a warranty by the Executing Entity whereby it warrants, and covenants to oblige all other persons and

entities involved to warrant, that in developing the project, programme or investment referred to in the Funding Proposal before entering into the Subsidiary Agreement or other relevant agreement, they have complied,

- (A) with all applicable AML/CFT, "know your customer", and other similar checks under all laws and regulations applicable to the Accredited Entity, the Executing Entity or such other persons and entities, as the case may be, and that reflect international best fiduciary standards and practices in relation to the proposed Funded Activity; and
  - (B) with the anti-bribery laws of the Host Country and any other laws applicable to the Accredited Entity, the Executing Entity or such other persons and entities, as the case may be, and obtain undertakings from the Executing Entity, and cause the Executing Entity to obtain undertakings from other parties involved, that they shall not, directly or indirectly, in connection with the Funded Activity, pay, offer, give, promise to pay or authorise the payment of, or solicit, receive or agree to receive, any monies or other things of value to or from anyone in order to obtain, influence, or reward any improper advantage;
- (b) carry out all due diligence as necessary or desirable in accordance with its own internal rules and usual practice when dealing with funds for which it has management or investment responsibility in relation to the Funding Proposal, including but not limited to, (i) technical, engineering, economic, financial, risk, legal and commercial viability; (ii) compliance, in accordance with Clause 13.01, with the Standards (to the extent and scope of its Accreditation); (iii) developmental, climate change mitigation and/or adaptation impacts; (iv) administrative and regulatory requirements; and/or (depending on the circumstances) (v) any business or company searches to ascertain the solvency or financial health of the Executing Entity as well as other recipients or beneficiaries of the funding and parties to the transaction set out in relevant Funding Proposal;
  - (c) conduct such other due diligence as may be necessary or desirable that it would apply to its own portfolio or when using or investing its own funds or funds for which it has management or investment responsibility; and
  - (d) upon request by the Fund, after consultation, provide all available information, including reports, assessment, and other documentation relating to its obligations under Clauses 4.05(a) to 4.05(c) above and allow the Fund, after reasonable written notice to the Accredited Entity, to speak directly to its staff and any external engineers, consultants, lawyers and technicians directly involved in the preparation of the relevant Funding Proposal, it being expressly acknowledged and agreed that the exercise or non-exercise by the Fund of any of its rights under this paragraph (d) will not in any way affect the Accredited Entity's responsibility and liability, if any, under this Agreement.

#### ***Procedures for Stakeholders Input***

- 4.06 When developing Funding Proposals, the Accredited Entity will, or will ensure that the Executing Entity will, in collaboration with the relevant Host Country authorities, have a process for multi-stakeholder engagement, consistent with any national regulations and

processes for such engagement, including confirmation of appropriate action to address any feedback received.

- 4.07 The Accredited Entity will keep the Fund regularly updated and informed as to its material discussions with the relevant Host Country authorities, carried out in accordance with Clause 4.06.
- 4.08 The Accredited Entity will consider the Stakeholder Engagement Best Practices as part of its preparation of any Funding Proposal, particularly the role of the NDA or, if applicable, the Focal Point.

#### ***Environmental and Social Risk Categories***

- 4.09 The Accredited Entity will only submit Funding Proposals for proposed Funded Activities that fall within the Environmental and Social Risk Categories for which it has been Accredited as set out in Annex 4 (*Accreditation for Environmental and Social Safeguards*), or for proposed Funded Activities which are in a lower risk category.

#### ***Size of Projects***

- 4.10 The Accredited Entity will only submit Funding Proposals up to the size of proposed Funded Activities for which it has been Accredited, as set out in Annex 5 (*Accreditation for Size of Project*), or for proposed Funded Activities that are smaller.

#### ***Submission of Funding Proposal***

- 4.11 The Accredited Entity shall submit any Funding Proposal to the Fund, together with all supporting documentation both as referred to therein as well as (upon request) reflecting the due diligence conducted pursuant to Clauses 4.04 and 4.05 above (or such additional or further due diligence that it may itself carry out), and the Fund may in turn provide the Accredited Entity with comments or request clarification in relation to the Funding Proposal and/or the due diligence. The Accredited Entity acknowledges that such Funding Proposal will be processed by the Fund in accordance with the No-Objection Procedure and the Project and Programme Activity Cycle, which may include an independent assessment by the TAP.
- 4.12 In particular, the Accredited Entity acknowledges that, in accordance with the No-Objection Procedure:
- (a) the Fund will acknowledge receipt of a No-Objection Letter received from the NDA or, if applicable, the Focal Point to the Accredited Entity;
  - (b) in the event that a Funding Proposal
    - (i) for a GCF Project, is not accompanied by a No-Objection Letter from the relevant Host Country; or
    - (ii) for a GCF Programme, is not accompanied by a No-Objection Letter from the Host Country, or Host Countries, as the case may be, in which it is envisaged that the first project activities and/or investments will take place,

the Fund will inform the relevant NDA(s) or, if applicable, the Focal Point (s), that the Funding Proposal will not be considered by the Board until the Fund receives the No-Objection Letter(s);

- (c) in the event that the relevant No-Objection Letter is not received by the Fund within thirty (30) days of its request to the NDA or, if applicable, the Focal Point, the consideration of the application for that Funding Proposal will be suspended and the Fund will notify the Accredited Entity of this suspension;
  - (d) if the No-Objection Letter is received by the Fund after the thirty (30) day period mentioned in Clause 4.12(c) above, the Fund will, at its discretion, determine whether it will review the suspended Funding Proposal, or whether it will require the Funding Proposal to be submitted again; and
  - (e) in relation to a GCF Programme for which a Funding Proposal has been approved, No-Objection Letters for each additional Host Country in which a project activity and/or investment will take place must be received by the Fund prior to any project activity and/or investment under such GCF Programme taking place in such Host Country.
- 4.13 Prior to the Fund submitting a Funding Proposal for consideration by the Board, the Accredited Entity shall:
- (a) have obtained all final internal approvals needed by it to implement a proposed Funded Activity; and
  - (b) confirm in a certificate or legal opinion in a form that is satisfactory to the Fund, that all final internal approvals have been obtained and that the Accredited Entity has the capacity and authority to implement the proposed Funded Activity.
- 4.14 Notwithstanding Clause 4.13, if, having taken all reasonable efforts, the Accredited Entity has not satisfied the requirements of Clauses 4.13(a) and 4.13(b):
- (a) the Fund may, in its sole discretion, agree to accept the relevant Funding Proposal for submission and consideration by the Board;
  - (b) the Board may, in its sole discretion, decide to conditionally approve the Funding Proposal, whereby such approval shall only become effective upon the Accredited Entity obtaining all final internal approvals needed by it and providing a letter or opinion (as required by Clause 4.13(b)), within the number of days specified by the Board in such approval, provided that such period shall not exceed one hundred and twenty (120) days; and
  - (c) if a Board approval is given under Clause 4.14(b) and the Accredited Entity subsequently fails to satisfy the conditions for effectiveness of such approval within the period determined by the Board pursuant to Clause 4.14(b), the Board approval shall be deemed not to be effective and the relevant Funding Proposal shall not have been approved.

### ***Decision of the Board***

- 4.15 After the Secretariat has received and analysed the Funding Proposal (including the relevant No-Objection Letter), it may be submitted to the Board in accordance with the Project and Programme Activity Cycle and any other relevant Fund policies and procedures.
- 4.16 Upon receipt and consideration of a Funding Proposal, the Board may take a Decision to:
- (a) approve the Funding Proposal;

- (b) provide an approval that is conditional on modifications to project or programme design or investment structure, delivery of further documentation (such as evidence of final internal or any third party approvals) or otherwise, in which case the Accredited Entity shall, prior to the commencement of the Funded Activity or within such time otherwise specified in the relevant Decision, satisfy all conditions imposed by the Board and provide the Fund with evidence thereof; or
  - (c) reject the Funding Proposal.
- 4.17 The Fund will record the Decision on the Funding Proposal and communicate it to the Accredited Entity and the relevant NDA or, if applicable, the Focal Point. If the Funding Proposal was approved by the Board subject to certain modifications being made thereto, the Accredited Entity will consider such modifications in good faith. If the Accredited Entity considers such modifications to be unfeasible, it will withdraw the Funding Proposal and inform the Secretariat accordingly.

### ***Redress Mechanism***

- 4.18 The Accredited Entity acknowledges that Funding Proposals rejected by the Board may be subject to the Redress Mechanism, and shall cooperate with and provide reasonable assistance to the Redress Mechanism in carrying out its functions, which may include providing relevant information on Funded Activities as the Redress Mechanism may reasonably require.

## **Clause 5 Results Management Framework; Monitoring and Accountability**

### ***Results Management Framework***

- 5.01 The Fund shall monitor the performance of the Accredited Entity, which shall be accountable, subject to the second sentence of Clause 8.01, to the Fund in accordance with its rules and procedures as per its Accreditation that should enable it to comply, in accordance with Clause 13.01, with all relevant policies of the Fund, such as the Monitoring and Accountability Framework and the Results Management Framework.
- 5.02 The Accredited Entity acknowledges and agrees that each Funding Proposal will include a logical framework setting out the arrangements for monitoring, reporting, and evaluation of the activities consistent with the Results Management Framework.

### ***Monitoring and Accountability***

- 5.03 The Accredited Entity acknowledges and agrees that:
- (a) it will be subject to monitoring and accountability conditions as provided in the Monitoring and Accountability Framework regarding (i) its compliance in accordance with Clause 13.01 with the Accreditation requirements and the Standards, as applicable to it; and (ii) its performance, including but not limited to, the implementation of approved Funding Proposals;
  - (b) in accordance with the Monitoring and Accountability Framework, it will (i) inform the Fund of any material changes, such as capacity, that may affect its compliance in accordance with Clause 13.01 with the Accreditation requirements and the Standards, as applicable to it; (ii) be subject to *ad hoc* checks or periodic reviews that may be performed by the Fund or the Fund Agent; (iii) cooperate with the Fund in its conduct of annual reviews of Funded Activities; and (iv) be

subject to and cooperate with the Fund in its mid-term Accreditation review (such term to be determined in accordance with Clause 22.01) or other review of the Accredited Entity's Accreditation status. With respect to Clauses 5.03(b)(iii) and 5.03(b)(iv) above, whenever feasible and appropriate, as may be determined by the Fund, the Fund may choose to rely on the results of the Accredited Entity's standard review processes in conducting the Fund's own reviews;

- (c) in accordance with the Monitoring and Accountability Framework, the Fund shall have the right to revise its Accreditation status by upgrading or downgrading, as well as the right to suspend or revoke its Accreditation or amend the applicable terms and conditions thereof, on the basis of the outcome of the *ad hoc* checks or reviews referred to in Clause 5.03(b) above; and
- (d) the Fund will prior to taking any action pursuant to Clause 5.03(c) above, send the Accredited Entity warnings of the possibility of downgrading/revoking its Accreditation status and/or suspension or termination of this Agreement referring to its concerns arising out of the aforementioned *ad hoc* checks or periodic reviews for discussion with the Accredited Entity, and shall provide the Accredited Entity with a reasonable period of time to cure the issues identified.

#### **Clause 6 Procedure for Term Sheets and Funded Activity Agreements**

- 6.01 All Funding Proposals submitted to the Board for consideration shall be accompanied by a Term Sheet agreed to by the Parties - subject only to final internal approvals - setting out, in summary form, the key terms and conditions relating to the proposed Funded Activity (for example, the elected GCF Holding Currency for disbursements or any specific deviation, derogation or modification that the Accredited Entity is seeking to make to this Agreement in the FAA).
- 6.02 As soon as practicable but in any event no later than one hundred and eighty (180) days after the later of: (a) the date of Board approval of a Funding Proposal (including any conditional approval pursuant to Clause 4.14(b) or Clause 4.16(b) above); and (b) the date on which the Accredited Entity has obtained its final internal approvals, the Parties shall enter into an FAA (or a series of FAAs, if applicable) for the relevant Funded Activity, provided that the Fund may not enter into such FAA unless the Accredited Entity has satisfied the requirements under Clauses 4.13 or 4.14(b) or, if applicable, 4.16(b). Notwithstanding the previous sentence, if the Parties enter into an FAA prior to the Accredited Entity satisfying the requirements under Clause 4.14(b) or 4.16(b), they may only do so upon the condition that such FAA will not come into force and will have no legal effect between the Parties until such time as the Accredited Entity satisfies the conditions for effectiveness of the Board's approval of that Funding Proposal. If the Accredited Entity subsequently fails to satisfy such conditions within the period determined by the Fund, such FAA shall automatically terminate.
- 6.03 The FAA shall be consistent in all material respects with the approved Funding Proposal and Term Sheet and shall set out any other terms and conditions applicable to the relevant Funded Activity, as agreed by the Parties. The FAA will incorporate by reference the terms and conditions of this Agreement and will, as so incorporated, be subject to this Agreement except as otherwise provided for in the FAA.
- 6.04 Any FAA entered into by the Parties shall be interpreted in a manner that is consistent in all material respects with the relevant Funding Proposal and Term Sheet.

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**Clause 7 Disbursement of GCF Proceeds to the Accredited Entity; Unused Funds; Reflowed Funds; Investment Income**

- 7.01 Disbursement of GCF Proceeds by the Fund shall be carried out in accordance with this Agreement and the applicable FAA, subject to the availability of unallocated resources in the Trust Fund and satisfaction of the conditions to disbursements set out in Annex 2 (*Condition Precedent to Disbursement*) or otherwise in the applicable FAA. Funds to be made available to the Accredited Entity in the context of a Funded Activity shall be transferred to the Accredited Entity or at the instruction of the Accredited Entity to an Executing Entity by the Trustee acting on written instructions received by it from the Fund.
- 7.02 The Accredited Entity shall ensure that GCF Proceeds and Other GCF Funds are, unless otherwise agreed, held or recorded in a GCF Account in a GCF Holding Currency until they are expended for individual Funded Activities. GCF Proceeds and Other GCF Funds shall be accounted for, and unless otherwise agreed by the Fund, used solely for the purposes of implementing the Funded Activities. The Accredited Entity shall maintain separate records and ledger accounts in respect of the GCF Proceeds and Other GCF Funds and disbursements made therefrom. Where an FAA provides that the GCF Account for the relevant Funded Activity shall be a bank account, such account shall be: (a) separate from the account used for the purpose of the Accredited Entity's other monies and funds; and (b) shall be opened at a bank with a long term credit rating of BBB+ or above by S&P or Fitch or Baa1 or above at Moody's, or otherwise at a bank acceptable to the Fund, which is in due compliance with all applicable Host County and international banking standards and regulations.
- 7.03 Unused funds from GCF Proceeds, including any Investment Income associated therewith, for which no further disbursements, liabilities or costs are due to be made or paid by the Accredited Entity (or any other entity involved in the relevant Funded Activity), within such period of time as the Fund may specify at its sole discretion, shall be returned by the Accredited Entity to the Fund at its first request via the Trustee (or to such other entity or account as the Fund may designate) but, unless an event of default as provided for in Clause 19 has occurred, not more frequently than once a year. The Accredited Entity shall maintain a record of any such unused funds and Investment Income associated therewith and report them to the Fund pursuant to Clause 17 below. The Accredited Entity shall ensure that an obligation to procure or refund any unused funds is therefore also provided in any Subsidiary Agreements with an obligation on the Executing Entity to impose similar refund requirements on its counterparties involved in the relevant Funded Activity.
- 7.04 Unless Reflowed Funds are paid directly to the Fund via the Trustee (or such other entity or account as the Fund may designate), the Accredited Entity shall hold or record any Reflowed Funds (following their receipt by the Accredited Entity) in the GCF Account and, immediately following such receipt or as per the schedule agreed with the Fund, notify the Fund and transfer the Reflowed Funds to the Fund via the Trustee (or such other entity or account as the Fund may designate). The Accredited Entity shall maintain a record of any such Reflowed Funds and report them to the Fund pursuant to Clause 17 below. For the avoidance of doubt, Reflowed Funds shall not include any unused or undischursed funds with respect to a Funded Activity. Any unused funds with respect to Funded Activities shall be administered by the Accredited Entity in accordance with Clause 7.03 above.

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- 7.05 Investment Income shall be held or recorded by the Accredited Entity in the GCF Account until such Investment Income is to be transferred to the Fund via the Trustee (or such other entity or account as the Fund may designate) in accordance with the relevant FAA or as the Fund may otherwise request. The Accredited Entity shall maintain a record of any such income and report to the Fund pursuant to Clause 17 below.
- 7.06 With respect to any monies owed by the Fund to the Accredited Entity or any other monies owed to the Accredited Entity by any third party (including any Executing Entity), the Accredited Entity may not without the prior consent of the Fund reduce or set off such amounts owed against the GCF Proceeds or Other GCF Funds received, held or recorded by the Accredited Entity.

### **Clause 8 Implementation**

- 8.01 The Accredited Entity shall be responsible for the overall management, implementation and supervision of each Funded Activity in line with its own internal rules, policies and procedures, including administering and managing the use of GCF Proceeds, as well as the monitoring, evaluation and reporting responsibilities as set forth in the relevant Funding Proposal and FAA. The Accredited Entity (including its staff and experts) shall not be responsible or liable for any losses, damages or injuries caused to the Fund other than resulting from any act, omission or negligence or breach of this Agreement or any FAA by the Accredited Entity (including by its employees, directors, officers, agents and representatives).
- 8.02 The Accredited Entity shall inform the Fund of any circumstances that may substantially interfere with the performance of its obligations under this Agreement, FAA or with its management of any Funded Activity, or otherwise jeopardise the achievements of any objectives, outcomes or outputs of any Funded Activity, providing detailed information thereof to the Fund for its information promptly upon becoming aware of such circumstance.
- 8.03 The Fund (including its members of the Board, Staff, Experts and Fund Agent) shall not be responsible or liable for any losses, damages or injuries caused to any persons under a Funded Activity, resulting from the acts, omissions or negligence of or breach of this Agreement by the Accredited Entity's employees, directors, officers, agents, and representatives.

### **Clause 9 Standard of Care**

- 9.01 The Accredited Entity shall be solely responsible for the administration of GCF Proceeds and Other GCF Funds and will carry out such administration in accordance with its regulations and rules, standard practices and procedures and with at least the same degree of care as it uses in the administration of its own funds or funds for which it has management or investment responsibility, taking into account the provisions of this Agreement.
- 9.02 The Accredited Entity shall take appropriate measures in accordance with its own rules, policies and procedures to ensure that all GCF Proceeds and (where applicable) Other GCF Funds are used for the purposes for which they were provided, as set out in the relevant FAA, and shall be accountable, subject to Clause 8.01 and in accordance with Clause 13.01, to the Fund for the proper use of such GCF Proceeds and (where applicable) Other GCF Funds.

- 9.03 The Accredited Entity shall:
- (a) apply its own fiduciary principles and standards relating to any 'know your customer' checks, anti-corruption, AML/CFT, fraud, financial sanctions and embargoes which should enable it to comply with the General Principles on Prohibited Practices;
  - (b) unless prohibited by law applicable to the Accredited Entity, not use GCF Proceeds or Other GCF Funds for the purposes of any payment to individuals or entities, or for the import of goods, if such payment or import is prohibited by a Decision as may be adopted from time to time; and
  - (c) promptly, upon becoming aware of such event, inform the Fund in the event the GCF Proceeds, Other GCF Funds or funds from other sources for a Funded Activity are not being used or have not been used for the purposes for which they were provided, and consistent with its rules, policies and procedures and integrity of the investigative process, shall keep the Fund informed of the progress of any formal investigation concerning the improper use of GCF Proceeds or Other GCF Funds and provide a final report to the Fund on the findings of such investigation upon its conclusion.

#### **Clause 10 Executing Entities; Affiliates**

- 10.01 Where the Accredited Entity is also the Executing Entity in relation to a Funded Activity, it shall:
- (a) carry out the Funded Activity with due diligence, efficiency and in conformity with sound administrative, technical, financial, business, and development practices, in accordance with the terms and conditions of this Agreement as well as the relevant Funding Proposal and FAA;
  - (b) ensure that adequate provision is made for the insurance of any Goods required for the Funded Activity against hazards in accordance with prudent industry practice. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such Goods; and
  - (c) ensure that: (i) except as specified in the FAA or as the Fund may otherwise agree, all Goods and Services are used exclusively for the purposes of the Funded Activity, and all facilities relevant to the Funded Activity are at all times properly operated and maintained; and (ii) whenever applicable, competent and qualified consultants and contractors are employed to achieve the objectives of the relevant Funded Activity.
- 10.02 In relation to a Funded Activity where the Accredited Entity is not the Executing Entity, the Accredited Entity:
- (a) shall:
    - (i) assess through appropriate due diligence processes the integrity and capacity of each Executing Entity to implement the relevant Funded Activity, including with respect to AML/CFT capabilities, and report thereon, make such assessments available to the Fund upon request, and select each Executing Entity based on a positive assessment of that

Executing Entity's capacity to carry out the Funded Activity that is being assigned to it and in a transparent documented manner;

- (ii) ensure that the Executing Entity carries out, or contractually cause the Executing Entity to carry out, the Funded Activity in accordance with Clause 10.01 of this Agreement as well as the terms of the relevant Funding Proposal and FAA applicable to it;
  - (iii) maintain and comply with an adequate system to monitor the performance of the Executing Entity and assure regular reporting from them in the Subsidiary Agreement, in accordance with this Agreement; and
  - (iv) seek appropriate remedies under the relevant Subsidiary Agreement for breach, non-performance or default by an Executing Entity, or if provided under an FAA, allow the Fund to exercise its step-in rights to seek appropriate remedies;
- (b) acknowledges and agrees that, unless otherwise provided in an FAA, providing funds to an Executing Entity or making payments on behalf of the Fund to implement Funded Activities does not relieve the Accredited Entity of its obligations and liabilities under this Agreement, and that it shall monitor, supervise, and exercise remedies in respect of, the proper management and application by its Executing Entity of any funds disbursed to such entity as if it were the Accredited Entity's own funds or funds for which it has management or investment responsibility; and
- (c) shall ensure that any Subsidiary Agreement that the Accredited Entity enters into with an Executing Entity in respect of a Funded Activity shall reflect or incorporate the terms and conditions of the FAA that may be applicable or relevant to such Executing Entity. The Accredited Entity shall furnish to the Fund, certified copies of any Subsidiary Agreement promptly upon request by the Fund.

10.03 The Accredited Entity acknowledges that its Affiliates should only receive GCF Proceeds or Other GCF Funds for a Funded Activity if this was specifically provided for in the Funding Proposal for such Funded Activity. If such Affiliates do receive GCF Proceeds or Other GCF Funds, the Accredited Entity shall ensure that such Affiliates comply with the terms of this Agreement and relevant FAA. In any event, the Accredited Entity acknowledges and agrees that providing GCF Proceeds to its Affiliates shall not relieve it of its obligations and liabilities under this Agreement, and it shall be responsible for the acts and omissions of its Affiliates, including in relation to funds disbursed to them as if they were the acts and omissions of the Accredited Entity.

#### **Clause 11 Administration of Funds by the Accredited Entity**

- 11.01 Disbursement, administration and processing of GCF Proceeds by the Accredited Entity shall be in accordance with the Accredited Entity's rules, policies and procedures applicable to the extent and scope of its Accreditation, in order to allow it to comply with its obligations under this Agreement.
- 11.02 Notwithstanding the amount specified for a specific budget line item set out in an FAA, the Accredited Entity may reallocate GCF Proceeds allocated for a specific budget line item, among the categories of items to be funded under such FAA in accordance with its standard procedures, so long as such reallocation is not in excess of the threshold

(expressed as a percentage of the Fund's part of the total projected costs of the relevant Funded Activity) specified in the FAA. The Accredited Entity shall immediately inform the Fund of any proposed reallocation above such threshold and obtain the Fund's prior written consent.

- 11.03 In the event that any proposed modification to a Funded Activity is likely to effect a Major Change, the Accredited Entity shall inform the Fund and the relevant NDA of any such proposed modification and seek the Fund's instructions on the necessary steps to be taken to effect such proposed modification, which may involve seeking a new No-Objection Letter.

#### **Clause 12 Accredited Entity Fees**

- 12.01 In accordance with the policies and procedures approved by the Board for the determination and payment of fees payable to Accredited Entities (as such policies and procedures may be amended from time to time) or agreed in the interim by the Parties at the time of submission of a Funding Proposal, the Accredited Entity may be entitled to receive a fee for project implementation or other services performed pursuant to this Agreement, as agreed and detailed in the relevant FAA.

#### **Clause 13 Compliance with Standards, Policies and Procedures**

- 13.01 Subject to Clause 32.04, the Accredited Entity covenants that it shall at all times comply, and where applicable shall impose such compliance by the Executing Entity, with its own rules, policies and procedures that should enable it to comply with the Fund's Standards, policies and procedures to the extent and scope of its Accreditation, and with any conditions, requirements, or recommendations from the Accreditation Panel and adopted by the Board in the Accreditation. If during the term of this Agreement, the Accredited Entity revises, or identifies a gap, in its rules, policies and procedures to such extent that it may result in its non-compliance with the Fund's Standards, policies and procedures, the Accredited Entity shall:

- (a) promptly notify the Fund;
- (b) promptly take any necessary or appropriate action to ensure its continued compliance or take such action to become compliant; and
- (c) in the event that such revision or identified gap will result in the Accredited Entity's relevant rule, policy or procedure being less stringent than the relevant Fund's Standard, policy or procedure, directly apply the Fund's applicable Standard, policy or procedure until such time as the action required in Clause 13.01(b) above has been taken.

- 13.02 The Accredited Entity acknowledges that any failure to comply with Clause 13.01 above, can lead to the downgrading, suspension or revocation of its Accreditation as set out in Clause 5.03(c) above.

#### ***Integrity Unit***

- 13.03 The Accredited Entity shall co-operate with the Integrity Unit or any office of the Fund duly authorised to receive reports, investigate, and address allegations or suspicions of Prohibited Practices prior to the establishment of the Integrity Unit, and provide the Integrity Unit or such office with reasonable assistance in carrying out its functions,

including promoting cooperation between the Integrity Unit or such office and the corresponding body or unit of the Accredited Entity.

### ***Redress Mechanism***

13.04 The Redress Mechanism is to address grievances and complaints by communities and people who have been directly affected by the adverse impacts through the failure of the Funded Activity to implement the Fund's operational policies and procedures, including environmental and social safeguards. However, the Redress Mechanism is to be complementary to other supervision, audit, quality control and evaluation systems of the Fund, which include such systems of the Accredited Entity. Therefore, any grievances and complaints should first and foremost be addressed to, and dealt with by, the grievance mechanism of the Accredited Entity and the Accredited Entity agrees that its grievance mechanism will be the primary mechanism to handle such grievances and complaints. The Accredited Entity shall cooperate with and provide reasonable assistance to the Redress Mechanism in respect of any grievances and complaints filed with the Redress Mechanism, including promoting cooperation between the Redress Mechanism and the corresponding body or unit of the Accredited Entity.

### **Clause 14 Procurement**

14.01 The procurement of Goods and Services for Funded Activities, whether by the Accredited Entity itself, and Executing Entity or by a third party, shall be done in accordance with the rules, policies and procedures of the Accredited Entity to the extent and scope of its Accreditation.

### **Clause 15 Record Keeping and Reporting**

15.01 The Accredited Entity shall ensure that:

- (a) all documents related to this Agreement, including documents relating to individual Funded Activities, are promptly furnished to the Fund upon its request, in such detail as the Fund may reasonably request;
- (b) documents are maintained adequately to record the progress of individual Funded Activities (including its cost and the climate change adaptation and/or mitigation benefits to be derived from it);
- (c) all documents related to individual Funded Activities, including records evidencing use of GCF Proceeds under each FAA, are retained until at least five (5) years after the relevant Reporting Period, or such longer period required to monitor and manage any equity investment, outstanding loans or other financial instruments or to resolve any claims or audit inquiries, or if required to do so by the Fund;
- (d) the representatives of the Fund are able to examine all records referred to above in Clauses 15.01(b) and 15.01(c), and are provided all such information concerning such records as they may from time to time reasonably request; and
- (e) the information relating to Funded Activities required by the Information Disclosure Policy is made publicly available in a timely fashion pursuant thereto.

- 15.02 The Accredited Entity shall provide to the Fund the following reports prepared in a form and manner compliant with the practices and procedures of the Fund for individual Funded Activities:
- (a) APRs on the status of each Funded Activity throughout the relevant Reporting Period, including a narrative report on implementation progress based on the logical framework submitted in the Funding Proposal and considerations on the ongoing performance of the Funded Activity against the Fund's investment framework criteria, including updates on the indicators as per the guidance provided by the Fund's results management framework, and a report on ESS as well as gender. Unless otherwise specified in the FAA, the APR shall be submitted to the Secretariat on an annual basis for the period ending on 31 December within sixty (60) days after the end of the relevant annual period, with the first APR required to be submitted following the end of the calendar year after the Parties have entered into the relevant FAA, and the last APR required to be submitted within six (6) months of the end of the relevant Reporting Period;
  - (b) interim and final evaluation reports, as outlined in the relevant Funding Proposal or FAA, setting out any necessary corrective measures (in the case of interim reports), an assessment of the performance of the Funded Activity against the Fund's investment framework criteria, including financial/economic performances as part of the Funded Activity efficiency and effectiveness criterion, as well as the sustainability and scalability of results and impacts and lessons learned, during the relevant period. If so provided in the relevant Funding Proposal or FAA, such interim and final evaluation reports shall be prepared by an independent evaluator selected by the Accredited Entity or by an independent evaluation unit/office of the Accredited Entity and reasonably acceptable to the Fund, and shall be submitted on the dates or according to the schedule set forth therein. Copies of these reports shall be forwarded by the Accredited Entity to the NDA or, if applicable, the Focal Point for information;
  - (c) in accordance with the Monitoring and Accountability Framework, on an annual basis for the period ending on 31 December within sixty (60) days after the end of the relevant annual period:
    - (i) a self-assessment of its compliance, in accordance with Clause 13.01, with the Fiduciary Principles and Standards, ESS and Gender Policy[.]; and]
    - (ii) [a report on its actions carried out or planned to be carried out pursuant to Clause 18.02(i); and]<sup>5</sup>
  - (d) such other reports as the Accredited Entity may prepare or require in accordance with its own rules, policies or practices in relation to a Funded Activity, and any other reports as may reasonably be requested by the Fund in order to enable it to assess the results and impacts of the Funded Activity and/or compliance with this Agreement.
- 15.03 Based on the reports submitted to the Fund pursuant to Clauses 15.02(a) and 15.02(d) above in relation to a Funded Activity, in the event of any undue or unjustifiable delays in implementation, the Fund may choose, upon consultation with the Accredited Entity and taking into account outstanding liabilities, to adjust the Disbursement Schedule set out in the relevant FAA, suspend disbursements until further progress has been made in the

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<sup>5</sup> Include where the Accredited Entity is an international entity.

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implementation of the Funded Activity to the Fund's satisfaction or take such other action as may be permitted under the relevant FAA.

#### **Clause 16 Periodic Reviews, *Ad Hoc* Checks and Evaluations**

- 16.01 Where the Fund has reason for concern that GCF Proceeds or Other GCF Funds for any Funded Activity may not have been used in accordance with this Agreement, or the relevant FAA, the Fund may ask the Accredited Entity to, and the Accredited Entity shall, provide it with information concerning the use of funds or resources in respect of the relevant Funded Activity.
- 16.02 If after reviewing any such information provided by the Accredited Entity, the Fund, acting reasonably, continues to have a concern as to the manner in which GCF Proceeds or Other GCF Funds have been used, the Fund may consult with the Accredited Entity to determine an appropriate solution and may request the Accredited Entity to take necessary corrective measures to address this concern. This could include an audit of the individual Funded Activity by the Accredited Entity's auditors that is performed based on terms established in consultation with the Fund. The Fund will fully communicate its reasons for such a request to the Accredited Entity, which shall be reasonable and appropriate to protect the interest of the Fund. The costs of such audit will be borne by the Accredited Entity, if the concern of the Fund is found to be substantially correct by the auditor, or by the Fund in all other cases.
- 16.03 The Accredited Entity shall invite representatives of the Fund to participate in supervision or other similar missions led by the Accredited Entity relating to a Funded Activity, when applicable. Such missions shall be planned and carried out in a collaborative manner, with procedural matters agreed upon by the Parties in advance, keeping in mind the effective and efficient implementation of the Funded Activity. Each Party shall bear its own costs in relation to such missions, in accordance with the specific agreements to be entered into by such Parties.
- 16.04 The Fund may, in accordance with the Monitoring and Accountability Framework, at its own cost and with reasonable notice to the Accredited Entity, conduct (a) *ad hoc* checks on the use of GCF Proceeds or Other GCF Funds and the Accredited Entity's compliance with the Standards, this Agreement and/or an FAA, and/or (b) *ex post* evaluations of Funded Activities, and the Accredited Entity shall cooperate with the Fund in the conduct of such *ad hoc* checks or evaluations and provide such information and documentation as may be reasonably requested by the Fund.
- 16.05 The Accredited Entity shall co-operate with the Secretariat and the Accountability Units and provide them with reasonable assistance in carrying out their functions including promoting cooperation between the Accountability Units and the corresponding body or unit of the Accredited Entity.

#### **Clause 17 Financial Management; Financial Information**

- 17.01 The Accredited Entity shall ensure that:
- (a) a financial management system is maintained, with separate informational statements, accounts and records of GCF Proceeds and Other GCF Funds being prepared in accordance with internationally recognised accounting standards, consistently applied and acceptable to the Fund ("Financial Information");

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- (b) the Financial Information referred to in Clauses 17.02(b) and 17.02(c) below are audited annually by independent external auditors or such other auditors as are acceptable to the Fund, in accordance with internationally recognised auditing and accounting standards that are acceptable to the Fund; the Financial Information, as so audited, are furnished to the Fund in accordance with Clauses 17.02(b) and 17.02(c), together with such other information concerning the audited Financial Information and such auditors, as the Fund may from time to time reasonably request; and
- (c) all Financial Information related to GCF Proceeds and Other GCF Funds shall be expressed in one of the GCF Holding Currencies and in the absence of the Parties specifying otherwise in an FAA, such Financial Information will be provided in USD.
- 17.02 The Accredited Entity shall provide to the Fund the following Financial Information in a form and means agreed with the Fund:
- (a) on a semi-annual basis within sixty (60) days after 30 June or 31 December of each year (or such other frequency agreed in the FAA):
- (i) the dates and amounts disbursed for Funded Activities, for the period reported and cumulative amounts up to the period, broken down by each Funded Activity, and compliance with financial covenants;
  - (ii) the actual expenditures for the Funded Activities for the period reported and cumulative amounts up to the period, broken down by each Funded Activity;
  - (iii) (A) the date on which any Funded Activity is financially closed, (B) the final amount disbursed for such Funded Activity, (C) the amount of any unused funds from such Funded Activity, and (D) the amount of such unused funds paid to the Fund, for the period reported, broken down by each such Funded Activity;
  - (iv) the dates and amounts of any Reflowed Funds received by the Accredited Entity from Funded Activities, as well as the amount of such Reflowed Funds paid to the Fund, for the period reported and cumulative amounts up to the period, broken down by each Funded Activity; and
  - (v) a statement of Investment Income earned on GCF Proceeds, as well as the amount of such Investment Income paid to the Fund;
- (b) within two (2) months after the end of the GCF Fiscal Year, an unaudited annual financial statement for each of the Funded Activities and the GCF Account containing the information required under Clauses 17.02(a)(i), 17.02(a)(ii) and 17.02(a)(v) with specific Funded Activities listed in a separate annex, and within four (4) months after the end of the GCF Fiscal Year, an audited annual financial statement for each of the Funded Activities and the GCF Account containing the same information;
- (c) within two (2) months after expiration or termination of this Agreement, an unaudited final financial statement for the GCF Account, and within four (4) months after expiration or termination, an audited final financial statement for the GCF Account, in each case regarding the period since the last period covered by the statements referred to in Clause 17.02(b) above; and

- (d) such other reports related to funds disbursed by the Fund to the Accredited Entity, as may reasonably be requested by the Fund from time to time.

### ***Use of Reports***

- 17.03 Each Party acknowledges and agrees that, subject to Clause 25, a Party may release in the public domain any report or statement, in whole or in part, that has been submitted to it by the other Party under this Agreement (or any FAA). Each Party also acknowledges and agrees that the other Party may use, reproduce, modify and/or adapt information and other data contained in such reports for any reason whatsoever.

### ***Fund Agent***

- 17.04 The Fund may, in its sole discretion, utilise a Fund Agent to perform certain functions or activities on behalf of the Fund, including but not limited to:
- (a) conducting periodic reviews, *ad hoc* checks, or evaluations permitted under this Agreement (or any FAA); and
  - (b) verifying the status of a Funded Activity, use of GCF Proceeds and Other GCF Funds, and compliance with the terms and conditions of this Agreement or relevant FAA.
- 17.05 The Accredited Entity shall cooperate fully, and shall contractually ensure that any Executing Entity and other parties involved in a Funded Activity shall or cause such Executing Entity or other parties to cooperate fully, with the Fund Agent to permit the Fund Agent to carry out its functions or activities. To this end, the Accredited Entity shall, among other things:
- (a) submit reports, Financial Information, and other information, documents or communications required under this Agreement to the Fund through the Fund Agent;
  - (b) permit or arrange for the Fund Agent, in consultation and coordination with the Accredited Entity, to perform *ad hoc* site visits and/or meet with and interview its or the Executing Entity's staff, consultants, contractors, or agents at the times agreed to by the Accredited Entity and the Fund Agent; and
  - (c) cooperate with the Fund Agent in other ways that the Fund may specify (e.g. in obtaining supporting documentation for the Fund Agent to obtain a visa).
- 17.06 The principal representative of the Fund Agent shall be the person or entity named or acting in the position identified in an FAA or other communication transmitted by the Fund to the Accredited Entity citing this Clause 17.06. The Fund may, in its sole discretion, decide to replace the Fund Agent or designate an alternative principal representative of the Fund Agent and shall inform the Accredited Entity accordingly.

## **Clause 18 Representations, Warranties and Covenants**

### ***Representations and Warranties***

- 18.01 The Accredited Entity represents and warrants that on the effective date of this Agreement, the date of entering into each FAA, if different, the date of effectiveness of each FAA and the date of each disbursement made by the Fund under an FAA:

- (a) the execution and delivery of this Agreement or the relevant FAA, as the case may be, and the fulfilment and compliance with the terms of this Agreement or FAA, as the case may be, including the implementation of any Funded Activity by it, will not conflict with or require the consent of any person, authority or body, under any of its national laws, rules, regulations or guidelines, or other agreement to which the Accredited Entity is a party, which has not been obtained;
- (b) it has the capacity and authority to enter into this Agreement and the relevant FAA;
- (c) its own activities related to any Funded Activity are operated in compliance with the laws of the countries in which it operates, and other laws applicable to the Accredited Entity, including but not limited to intellectual property law;
- (d) any factual information provided by it to the Fund as part of the Funding Proposal or otherwise pursuant to Clause 4.11 is to the best of its knowledge true and accurate in all material respects as at the date it is provided or as at the date (if any) at which it is stated;
- (e) the financial projections, if any, contained in a Funding Proposal or FAA will be or were, as the case may be, prepared on the basis of recent historical information and on the basis of reasonable assumptions[; and][;]
- (f) to the best of its knowledge, nothing has occurred or been omitted from the Funding Proposal and no information has been given or withheld that results in the information contained in the Funding Proposal being untrue or misleading in any material respect[.][; and]
- (g) [the Accredited Entity has made all necessary budgetary and institutional arrangements for the implementation of the Funded Activity in accordance with this Agreement and the relevant FAA.]<sup>6</sup>

### ***Covenants of the Accredited Entity***

18.02 The Accredited Entity covenants (to the extent applicable) that as from the effective date of this Agreement, the date of entering into each FAA and, if different, the date of effectiveness of each FAA, the Accredited Entity:

- (a) shall duly perform its obligations under this Agreement and the relevant FAA;
- (b) shall cause the Funded Activity to be carried out with due diligence and efficiency and in conformity with sound and applicable technical, financial, business and development practices;
- (c) shall obtain, or cause any Executing Entity and any other entity involved in the Funded Activity to obtain, all necessary licenses, approvals and consents to implement, (if appropriate) carry out or operate any Funded Activity, all of which are to be maintained in full force and effect;
- (d) shall immediately provide or cause to provide written notice to the Fund of any legitimate claims, investigations or proceedings which, if determined adversely, could reasonably be expected to result in a material adverse effect on the ability of the Accredited Entity to perform any of its obligations under this Agreement;

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<sup>6</sup> Include where the Accredited Entity is a governmental entity, incl. a national development bank.

- (e) shall ensure that GCF Proceeds and Other GCF Funds provided for or resulting from the purposes of any Funded Activity are not, or contractually cause such GCF Proceeds and Other GCF Funds not to be, used by it or by any recipients, including any Executing Entity, to whom the funds are disbursed for any illegal or improper purposes (including bribery) contrary to this Agreement (or any FAA) or any laws of the Host Country in which the Funded Activity is to be implemented, including by incorporating in Subsidiary Agreements provisions corresponding to its own rules, policies and procedures which should enable it to comply with the General Principles on Prohibited Practices and contractually oblige the Executing Entity to incorporate such provisions in its agreements with third parties relating to the relevant Funded Activity;
- (f) shall claim repayment by the Executing Entity, either through the Executing Entity or directly from other persons or entities involved, of any GCF Funds or GCF Proceeds used by any of them to any purpose set out in Clause 18.02(e);
- (g) shall maintain an effective conflict of interest (as that term is defined in the General Principles on Prohibited Practices) policy and compliance function to ensure the separation of personnel and available confidential information between those responsible for the Accredited Entity's discharge of its obligations to the Fund under this Agreement (or any FAA) and those responsible for the preparation, presentation, sourcing and implementation of a Funding Proposal and/or a Funded Activity (as applicable); and];]
- (h) shall ensure compliance or cause compliance of a Funded Activity with all laws of the Host Country and all other laws applicable to the Accredited Entity[.]; and]
- (i) [shall indicate how it intends to strengthen the capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership][.];<sup>7</sup> and];]
- (j) [throughout the term of this Agreement and for so long as it retains responsibility for the implementation, impact assessment or evaluation for the Funded Activity, shall not enact any laws or regulations that contradict, run counter to its obligations under this Agreement (or any FAA) or fail to implement in a timely manner any laws of regulations or changes to laws that may be necessary for the successful implementation of a Funded Activity[.];<sup>8</sup>; and]
- (k) [shall take no action or ensure that no action will be taken, whether by *inter alia* executive, administrative, judicial or legislative order, in relation to any funds, property or assets forming part of a Funded Activity to which GCF Proceeds and Other GCF Funds have been applied pursuant to this Agreement or the relevant FAA, that amounts to a requisitioning, confiscation, seizure, expropriation, nationalisation or any similar legal action of such funds, property or assets; or cause any of the above acts to occur in relation thereto.];<sup>9</sup>

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<sup>7</sup> Include where the Accredited Entity is an international entity.

<sup>8</sup> Include where the Accredited Entity is a governmental entity.

<sup>9</sup> Include where the Accredited Entity is a governmental entity.

## **Clause 19 Events of Default**

19.01 The Accredited Entity will be in default of this Agreement if:

- (a) the Accredited Entity failed to comply, in any material respect with, or shall have failed to perform in any material respects, any of its obligations under this Agreement;
- (b) a representation or warranty made or repeated by the Accredited Entity proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;
- (c) an Accredited Entity Insolvency Event occurs;
- (d) the Accredited Entity has ceased to exist in the same legal form as that prevailing as of the Date of Accreditation and its obligations, responsibilities or liabilities under this Agreement, or in relation to any Funded Activity thereunder, have not been assumed in full by a replacement entity that is satisfactory to the Fund;
- (e) any action or proceeding has been taken by the Accredited Entity or by any third party, whereby any substantial part of the assets of the Accredited Entity shall or may be distributed among its creditors;
- (f) at any time, the Fund determines that the procurement of Goods and Services in respect of any Funded Activity to be financed by the Fund is materially inconsistent with the policies and processes set forth or referred to in this Agreement;
- (g) at any time, the Fund determines that any representative of the Accredited Entity, any Executing Entity, or third party contracted by the Accredited Entity or the Executing Entity in respect of a Funded Activity, has engaged in a Prohibited Practice, without the Accredited Entity (or, other such entity) having taken timely and appropriate action satisfactory to the Fund to address such Prohibited Practices when they occur; or
- (h) at any time, a finding is made by a duly authorised investigative or adjudicative body that the Accredited Entity (or any of its directors, officers or employees) has engaged in fraudulent, corrupt, coercive, collusive, abusive or obstructive practices (as may be defined under any applicable law).

## **Clause 20 Remedies following an Event of Default**

20.01 Following an Event of Default by the Accredited Entity in accordance with Clause 19, the Fund may exercise one or more of the following rights under this Agreement:

- (a) in case of the occurrence of an Event of Default under paragraphs (a), (b), (f), (g) or (h) of Clause 19.01, first, require the Accredited Entity to remedy such Event of Default within a reasonable period of time set by the Fund at its sole discretion, whereby the Secretariat will support the Accredited Entity to take remedial action;
- (b) in case of the occurrence of an Event of Default under paragraphs (c), (d) or (e) of Clause 19.01, or if an Event of Default shall not have been remedied pursuant to paragraph (a) of this Clause 20.01 above, the Fund may:

- (i) terminate this Agreement and/or, if applicable, any specific FAAs entered into thereunder that are affected by the Event of Default or in relation to which the Event of Default has arisen, immediately upon giving notice to the Accredited Entity and cease the consideration or approval of any further Funding Proposals;
  - (ii) suspend any further payments, including but not limited to the disbursement of GCF Proceeds, payable by it under the terms of any or all Funded Activities being implemented in accordance with this Agreement; and
  - (iii) be entitled to a refund or restitution of GCF Proceeds and Other GCF Funds for any Funded Activity to the extent such funds (i) are unused, after paying any liabilities then outstanding incurred in accordance with this Agreement and the FAA, or (ii) have been improperly used by the Accredited Entity or, if applicable, require the Accredited Entity to seek a refund or restitution of GCF Proceeds or Other GCF Funds from third parties. Any repayment obligation of the Accredited Entity shall be limited to such amounts which have actually been recovered by the Accredited Entity from an Executing Entity or any other third party having exercised all best efforts;
- (c) seek or invoke any other remedy available in law, including but not limited to:
- (i) making a claim for damages (if any) caused to it as a result of the default by the Accredited Entity;
  - (ii) assuming the contractual position of the Accredited Entity under any Subsidiary Agreement, by serving written notice in accordance with Clause 31 in order to continue operation of a Funded Activity or to exercise any rights thereunder. Upon the receipt of such notice, the Accredited Entity shall: (A) consult with the Fund on the most practical and effective means of transferring the rights, obligations and liabilities of the Accredited Entity under that Subsidiary Agreement to the Fund; and (B) execute such documents and take such steps as are reasonably necessary to enable the Fund to assume all rights, obligations and liabilities under all such agreements. The Accredited Entity will ensure that any Subsidiary Agreement will include a provision obliging the Executing Entity to co-operate in the effective exercise of this option by the Fund pursuant to this Clause 20.01 or Clause 22.03(a).

## **Clause 21 Force Majeure**

- 21.01 Neither of the Parties shall be held liable for the breach of its obligations under this Agreement or an FAA for a Funded Activity if it is prevented from fulfilling them by reason of Force Majeure, provided that the Party affected by such an event has taken all reasonable precautions, due care and reasonable alternative measures, all with the objective of carrying out the terms and conditions of this Agreement and the relevant FAA, as applicable.
- 21.02 A Party affected by an event of Force Majeure shall notify the other Party of such event as soon as possible, and in any event not later than fifteen (15) days following the occurrence of such event, providing evidence of the nature and cause of such event, which shall

include the information about the possibility of restoration of normal conditions as soon as possible.

- 21.03 The Accredited Entity may withdraw a Funding Proposal at any time, if the Accredited Entity, in consultation with the Fund, determines and so notifies the Fund that an event constituting Force Majeure has occurred which would make it impossible, too difficult or too dangerous for the Accredited Entity to implement the proposed Funded Activity.
- 21.04 If after the execution of an FAA for a Funded Activity, the Accredited Entity, in consultation with the Fund, determines and so notifies the Fund that an event constituting Force Majeure has occurred which would make it impossible, too difficult or too dangerous for the Accredited Entity and/or the Executing Entity, as the case may be, to continue with the implementation of the relevant Funded Activity, the Parties may, upon mutual written agreement, terminate such FAA.

## **Clause 22 Term and Termination**

- 22.01 Subject to a prior termination pursuant to Clause 22.02, the Accredited Entity will, from the date of its Accreditation, remain Accredited for a period of five (5) years (unless otherwise so provided by the Monitoring and Accountability Framework or other relevant Decision or policy of the Fund). The Accredited Entity will either seek re-accreditation prior to the lapsing of the five (5) year period or its status as an Accredited Entity will lapse thereupon. Upon lapse of its Accreditation status, the Accredited Entity shall continue to satisfy any outstanding commitments and liabilities incurred in relation to each Funded Activity managed by the Accredited Entity prior to the lapse, unless the Fund is of the view that the most practical way of addressing any on-going activities is taking into account the reasonable interests of the Accredited Entity, through other means, which may include an assumption by the Fund or a third party acceptable to the Fund of the contractual positions under all or certain Subsidiary Agreements to which the Accredited Entity is a party.
- 22.02 This Agreement will terminate:
- (a) upon revocation of the Accredited Entity's Accreditation in accordance with the Monitoring and Accountability Framework and notice to the Accredited Entity thereof;
  - (b) upon the Fund giving notice to the Accredited Entity pursuant to Clause 20.01(a);
  - (c) upon either Party giving prior written notice of at least one hundred and eighty (180) days to the other; or
  - (d) pursuant to Clause 21.04.
- 22.03 Upon termination of this Agreement:
- (a) the Accredited Entity shall continue to satisfy any outstanding commitments and liabilities incurred in relation to each Funded Activity managed by the Accredited Entity prior to the termination and the Fund shall continue to perform its related obligations if and when due; provided that by doing so the Fund will not: (i) surrender or waive any rights, claim or demand it may have against the Accredited Entity arising from the termination of this Agreement; or (ii) be deemed to affirm the terminated Agreement. However, this shall not prevent the Fund from determining that the most practical way of addressing any on-going

activities is through other means, which may include an assumption by the Fund or a third party acceptable to the Fund of the Accredited Entity's contractual position under all or certain Subsidiary Agreements, whereby in case of a termination pursuant to Clause 21.04, the Fund shall take into account the reasonable interests of the Accredited Entity; and

- (b) at the complete discretion of the Fund and upon its request, the Accredited Entity shall promptly (or on a date otherwise agreed) refund to the Fund, through the Trustee or other means designated by the Fund, any unused portion of GCF Proceeds, after paying any liabilities then outstanding incurred in accordance with this Agreement and the FAA, and pay the Fund any Reflowed Funds and any net Investment Income earned therefrom not already paid pursuant to Clauses 7.03, 7.04 and 7.05 and not required to satisfy any outstanding commitments and liabilities pursuant to paragraph (a) of this Clause 22.03. If so determined in the Fund's sole discretion, no new funds or GCF Proceeds shall be disbursed after termination.

### **Clause 23 Intellectual Property; Ownership of Equipment; Entitlement to Emission Reductions**

- 23.01 The Accredited Entity shall contractually ensure that all Goods and Services procured do not violate or infringe any industrial property or intellectual property right or claim of any third party.
- 23.02 The Accredited Entity shall contractually ensure that all contracts for the procurement of Goods and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in Clause 23.01 above.
- 23.03 The Accredited Entity shall contractually ensure that all Fund-financed contracts contain appropriate representations, warranties and, if appropriate, indemnities from the contractors or suppliers to ensure that the Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.
- 23.04 In relation to a Funded Activity that is a grant financed in whole or in part with GCF Proceeds, if any part of such grant is used to purchase any durable assets or equipment used to implement the relevant Funded Activity (such as vehicles or office equipment), upon completion of the Funded Activity or termination of the relevant FAA in accordance with its terms, the Accredited Entity shall take such steps in relation to such assets or equipment as the Fund may in its sole discretion require for the purposes of redeployment or realising their capital value, which may (without limitation) include: (a) procuring a fair market valuation of the assets or equipment; (b) negotiating and/or procuring the sale or transfer of the assets or equipment; and/or (c) procuring that any funds or proceeds received by any Executing Entity (or any other entity that receives such funds) as a result of the sale of the assets or equipment are paid or transferred to the Accredited Entity. Any funds or proceeds received by or reflowed to the Accredited Entity in respect of the sale or transfer of such assets or equipment shall constitute Reflowed Funds and shall be held and transferred to the Fund in accordance with Clause 7.04.
- 23.05 Unless otherwise so provided under the terms of the FAA with respect to a Funded Activity, the Accredited Entity shall, to the extent permitted by the applicable laws and regulations, contractually ensure (including in any agreement with an Executing Entity) that any greenhouse gas emission reductions (e.g. in emissions by sources or an

enhancement of removal by sinks) achieved by the Funded Activity shall not be converted into any offset credits or units generated thereby, or if so converted, will be retired without allowing any other emissions of greenhouse gases to be offset.

#### **Clause 24 Branding**

24.01 The Accredited Entity shall endeavour to maximise opportunities for acknowledging the visual identity of the Fund in funding the relevant Funded Activities (e.g. through use of the Fund logo, and appropriate references in reports, publications, information given to beneficiaries and news media, related publicity materials and any other forms of public information and the displaying of the GCF logo on the site of any infrastructure works). Any branding activities in support of the Fund shall comply with the Fund's branding guidelines and be reviewed by the Secretariat. The same condition shall apply for co-branding activities.

#### **Clause 25 Confidentiality**

25.01 Each Party undertakes that it shall not at any time disclose to any person any Confidential Information except as permitted by Clause 25.02.

25.02 Each Party may disclose the other Party's Confidential Information to its employees, officers, representatives, consultants or advisers, and in the case of the Fund, its Board members, alternate Board members and their advisers, who need to know such information for the purposes of exercising the Party's rights or carrying out its obligations under or in connection with this Agreement. Each Party shall ensure that its employees, officers, representatives, consultants or advisers to whom it discloses the other Party's Confidential Information comply with this Clause 25 and the Fund shall ensure that its Board members, alternate Board members or their advisers shall also comply with this Clause 25.

25.03 The provisions of this Clause 25 shall not apply to any information, including Confidential Information, that:

- (a) is or becomes generally available to the public (other than as a result of its disclosure by the receiving Party or its representatives in breach of this Clause 25);
- (b) was available to the receiving Party on a non-confidential basis before disclosure by the disclosing Party;
- (c) was, is or becomes available to the receiving Party on a non-confidential basis from a person who, to the receiving Party's knowledge, is not bound by a confidentiality agreement with the disclosing party or otherwise prohibited from disclosing the information to the receiving Party;
- (d) the receiving Party is required to produce by any court, governmental or regulatory body or pursuant to any law, legal process, regulation, or governmental order, decree or rule, or which is necessary or desirable for the receiving Party to disclose in connection with any proceeding in any court or tribunal or before any regulatory authority in order to preserve its rights, provided that the receiving Party provides prior written notice to the disclosing Party;
- (e) the Parties agree in writing is not confidential or may be disclosed; or

- (f) is developed by or for the receiving party independently of the information disclosed by the disclosing party.
- 25.04 No Party shall use the other Party's Confidential Information for any purpose other than to exercise its rights and perform its obligations under or in connection with this Agreement, without obtaining the prior written consent of the other Party.
- 25.05 Pursuant to the Information Disclosure Policy or in line with the disclosure policy of the Accredited Entity, each Party may make publicly available certain information which is not marked confidential, including Concept Notes, Funding Proposals and other information relating to proposed projects, programmes and investments and Funded Activities, and may update such information periodically as required by the Information Disclosure Policy. Each Party undertakes not to make publicly available any other Party's Confidential Information without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.
- 25.06 The obligations of confidentiality contained in this Clause 25 shall continue for a period of two (2) years from the date of disclosure. If requested by the disclosing Party, the receiving Party shall return to the disclosing Party all Confidential Information in written form or destroy or (to the extent technically practicable) permanently erase all Confidential Information provided to the receiving Party in written or electronic form save to the extent that Confidential Information which the receiving Party is required to retain by applicable law, rule or regulation, or if such information is contained in any computer records or files which have been created pursuant to the receiving Party's automatic archiving and back-up procedures, in which case, the Confidential Information retained shall continue to be kept confidential in accordance with the terms of this Clause 25 in which case the provision on expiration of the confidentiality obligation shall not apply.
- 25.07 The Accredited Entity acknowledges that this Clause 25 covers all Funded Activities to be proposed or developed pursuant to this Agreement, as well as all Funded Activities, and that the Fund will not enter into any specific non-disclosure or confidentiality agreements for any such projects, programmes, investments or Funded Activities.
- 25.08 By entering into this Agreement, the Accredited Entity consents to, and agrees to comply with, the Information Disclosure Policy which includes disclosure of this Agreement and each Funding Proposal (including Term Sheet, excluding any Confidential Information) all as further set out in such policy.

#### **Clause 26 Privileges and Immunities**

- 26.01 The Accredited Entity acknowledges the request by the Board to the Secretariat to develop for its consideration and approval a template bilateral agreement that would provide privileges and immunities in countries in which the Fund operates for the Fund and its operations, members of the Board, consultants, and other persons affiliated with the Fund, as well as its staff.
- 26.02 For so long as a Host Country has not provided such privileges and immunities, the Accredited Entity shall endeavour, to the extent: (a) the Accredited Entity enjoys itself such privileges and immunities; and (b) it is able to do so, to have the Fund, its assets, members of the Board, consultants, and other persons affiliated with the Fund, as well as its staff benefit from its privileges and immunities in such Host Country in connection with a Funded Activity.

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**Clause 27 Non-waiver of Privileges and Immunities**

- 27.01 The Accredited Entity acknowledges and accepts that the Fund is accorded certain privileges, immunities, and exemptions as are necessary for the fulfilment of its purposes, and that its Staff and Experts similarly enjoy such privileges, immunities, and exemptions as are necessary for the independent exercise of their official functions in connection with the Fund. Nothing in or related to this Agreement or FAA may be construed as a waiver, express or implied, of the privileges, immunities and exemptions accorded to the Fund, its Staff and Experts under: (a) international law, including international customary law, any international conventions, treaties or agreements; (b) the Governing Instrument; (c) the Agreement between the Republic of Korea and the Green Climate Fund concerning the Headquarters of the Green Climate Fund; or (d) any other applicable laws.
- 27.02 [The Parties acknowledge and accept that they are accorded certain privileges, immunities, and exemptions as are necessary for the fulfilment of their purposes, and that their staff and experts (including the Staff and Experts of the Fund) similarly enjoy such privileges, immunities, and exemptions as are necessary for the independent exercise of their official functions. Nothing in or related to this Agreement or FAA may be construed as a waiver, express or implied, of the privileges, immunities and exemptions accorded to the Parties under the Governing Instrument, [the Charter of the Accredited Entity / the Agreement establishing the Accredited Entity] international law, including international customary law, any international conventions, treaties or agreements, or any other applicable laws or agreements.]<sup>10</sup>
- 27.03 [To the extent that the Accredited Entity may be entitled in any state or jurisdiction to claim or benefit from any immunity (whether characterised as state immunity, sovereign immunity, act of state or otherwise) now or hereafter for itself or any of its property or assets (which it now has or may hereafter acquire) in respect of its obligations under this Agreement, from service of process or other documents relating to proceedings, jurisdiction, suit, judgement, execution or otherwise or legal process or to the extent that in any such jurisdiction there may be attributed to it or any of its property or assets such immunity (whether or not claimed), the Accredited Entity expressly, unconditionally and irrevocably agrees not to claim, invoke or permit to be invoked on it or its property or assets' behalf or for its or its property or assets' benefit and hereby expressly, unconditionally and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.]<sup>11</sup>
- 27.04 In respect of any proceedings, the Accredited Entity consents generally to the giving of any relief or the issue of any process in connection with the proceedings including, without limitation, the enforcement or execution against any property or assets whatsoever (irrespective of its intended use) of any order judgment which may be made or given in the proceedings.
- 27.05 The Accredited Entity irrevocably and unconditionally acknowledges that the execution, delivery and performance of this Agreement constitute private and commercial (and not public) acts of the Accredited Entity.

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<sup>10</sup> For use with MDBs and IFIs.

<sup>11</sup> For use with governmental entities.

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## Clause 28 Governing Law

- 28.01 [This Agreement shall be governed by [[English][Hong Kong][xx] law.] [This Agreement shall be governed by public international law.
- 28.02 For the purposes of resolving any dispute, controversy or claim arising out of or in relation to this Agreement, in applying public international law, sources shall be taken for these purposes to include:
- (a) any relevant treaty obligations that are binding reciprocally on the Parties;
  - (b) the provisions of any international conventions and treaties (whether or not binding directly as such on the Parties) generally recognised as having codified or ripened into binding rules of customary law applicable to states and international institutions, as appropriate;
  - (c) other forms of international custom, including the practice of states and international institutions of such generality, consistency and duration as to create legal obligations; and
  - (d) applicable general principles of law.]
- 28.03 The governing law for the Subsidiary Agreements may be agreed by the parties thereto.

## Clause 29 Enforceability and Arbitration

### *Enforceability*

- 29.01 The rights and obligations of the Parties under this Agreement shall be valid and enforceable in accordance with its terms, notwithstanding the law of any state or political subdivision thereof to the contrary.

### *Arbitration*

- 29.02 The Parties will attempt in good faith to resolve any dispute, controversy or claim arising out of or in relation to this Agreement through negotiations between a duly authorised senior representative of each of the Parties with authority to settle the relevant dispute. If the dispute, controversy or claim cannot be settled amicably within sixty (60) days from the date on which either Party has served written notice on the other of the dispute, then Clause 29.03 shall apply.
- 29.03 Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, that is not been resolved through negotiation pursuant to Clause 29.02 above, shall be settled by arbitration in accordance with the [UNCITRAL][PCA][ICC] Arbitration Rules, and:
- (a) the appointing authority shall be the [Secretary-General of the PCA];
  - (b) the number of arbitrators shall be [one][three];
  - (c) the place of arbitration shall be [Seoul, Republic of Korea][The Hague, the Netherlands][Sao Paulo, Brazil][Singapore][Hong Kong];
  - (d) the language to be used in the arbitral proceedings shall be English; and

- (e) the arbitration decision shall be final and binding on the Parties and there shall be no appeal.

### Clause 30 Waiver

- 30.01 No delay in exercising, or omission to exercise, any right, power or remedy accruing to a Party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such Party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

### Clause 31 Notices

- 31.01 Any notice, request, document, report, or other communication submitted by either the Accredited Entity or the Fund, shall unless expressly specified in this Agreement or an FAA, be in English and delivered by hand or by facsimile or email to the Party to which it is required or permitted to be given or made to the following addresses:

For the Accredited Entity

***[specify addressee/address/facsimile number/email address]***

For the Fund

Director Country Programming Division  
Address: 175, Art Center-daero  
Yeonsu-gu, Incheon 22004  
Republic of Korea  
Fax: + 82 32 458 6094  
Email: [accreditation@gcfund.org](mailto:accreditation@gcfund.org)

### Clause 32 Miscellaneous

#### 32.01 *Limits of Parties' Liability*

- (a) The Parties will be responsible only for performing the obligations that are specifically set forth in this Agreement (or any FAA). Except for those obligations, a Party (including in the case of the Fund, Board members, alternate Board members, the Executive Director, Staff, Experts and Fund Agent) will have no liability to the other Party, any of its directors, officers, employees, agents or contractors or any other person or entity as a result of this Agreement, any FAA, or the implementation of any Funded Activity, and moreover, will not be liable for lost profits or consequential or punitive damages.
- (b) Without prejudice to Clause 32.01(a) above, any liability of the Fund under this Agreement or under an FAA shall be strictly limited to the amount approved by the Board for the relevant Funded Activity and the fees for the Accredited Entity for that Funded Activity due pursuant to the fee policy approved by the Board or any specific Decision.

- 32.02 **Claims.** Unless otherwise instructed by the Fund, the Accredited Entity shall be responsible for dealing, in consultation with the Fund, with any claims arising out of, or resulting from, the implementation of Funded Activities which may be brought by third parties against the Fund, Board members, the Executive Director, Staff, Experts, or Fund Agent. Unless the claim by a third party is caused by an event of default of the Accredited Entity pursuant to Clause 19.01, the Fund shall reimburse to the Accredited Entity:
- (a) all external costs, such as legal counsels' fees and court costs; and
  - (b) all other reasonable costs subject to a pre-agreed budget,  
incurred by the Accredited Entity in this respect.
- 32.03 **Trustee.** GCF Proceeds made available to the Accredited Entity may be disbursed from the Trust Fund. All of the obligations of the Fund under this Agreement are obligations of the Fund, and the Trustee has no personal liability for the obligations of the Fund under this Agreement.
- 32.04 **Changes to Policies and Procedures.** If during the term of this Agreement the Fund intends to revise any of its rules, policies, or procedures (including without limitation the Standards) and such change is material, or intends to adopt new rules, policies, or procedures by a Decision that, in the Fund's opinion, applies to the Accredited Entity, then the Fund shall so notify the Accredited Entity and allow the Accredited Entity to provide its comments to the intended revision or adoption. The Fund may take any comments received from the Accredited Entity into account when finalising the proposed revision or adoption. Upon revision or adoption, the Fund shall notify the Accredited Entity. The receipt of such notice shall require the Accredited Entity to take any necessary or appropriate action to ensure that, from a date that is one hundred and eighty (180) days following such notice, its own rules, policies and procedures continue to enable the Accredited Entity to comply with the rules, policies and procedures of the Fund as revised or adopted (the "Revisions") in relation to any new Funding Proposal or proposed Funded Activity, as well as, to the extent reasonably possible any ongoing Funded Activity. Where the Accredited Entity is unwilling or unable to comply with the Revisions in respect of new Funding Proposals or proposed Funded Activities, it may give notice (within a reasonable period from receipt of the Fund's notice) to the Fund of its unwillingness or inability to comply with the Revisions, in which case the Accredited Entity's Accreditation will be deemed to have lapsed and Clause 22.01 shall apply.
- 32.05 **Assignment/Novation.** Except as otherwise provided in this Agreement or an FAA, the Accredited Entity will not be entitled to assign or otherwise transfer its rights and obligations under this Agreement, in full or in part, without the prior written consent of the Fund, which consent may be granted or not granted at the Fund's absolute discretion.
- 32.06 **Use of Logos or Trademarks.** The Accredited Entity shall not use the name, abbreviation, logo or any trademarks of the Fund other than as provided for in Clause 24 or unless the Fund has provided prior consent in writing to such use.
- 32.07 **Execution in Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original.
- 32.08 **Rights of Third Parties.** This Agreement is intended solely for the benefit of the Parties and is not intended to be for the benefit of, nor may any provision be enforced by, any person or entity that is not a Party to this Agreement. Any other statute or law to the contrary is hereby excluded or disappplied.

- 32.09 **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the Parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto, other than those writings expressly referred to or incorporated into this Agreement and/or any FAA entered into hereunder.
- 32.10 **Modification or Amendment.** No modification or amendment of this Agreement shall be valid unless in writing and signed by an authorised representative of the Fund and an authorised representative of the Accredited Entity. Other than as contemplated by Clause 1.02 of this Agreement, no modification or amendment to this Agreement shall be made in an FAA.
- 32.11 **Survival of Clauses.** Clause 4.18, Clause 13.03, Clause 15.01(c), Clause 16.05, Clause 25, Clause 26, Clause 27, Clause 28, Clause 29, Clause 31.01, Clause 32.01, Clause 32.02, Clause 32.03 and this Clause 32.11 shall, unless explicitly provided otherwise, survive for a period of ten (10) years after the termination of this Agreement. Furthermore, in the event that under Clause 22.03 the Parties decide to complete any on-going Funded Activities, those Clauses of this Agreement necessary and suitable to achieve that objective shall also survive for a period of ten (10) years after the termination of this Agreement.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorised, have caused this Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of the Fund.

**[ACCREDITED ENTITY]**

By \_\_\_\_\_  
Name  
Designation

Date \_\_\_\_\_

By \_\_\_\_\_  
Name  
Designation

Date \_\_\_\_\_

**GREEN CLIMATE FUND**

By \_\_\_\_\_  
Héla CHEIKHROUHOU  
Executive Director

Date \_\_\_\_\_

**Annex 1 - Term Sheet**

[**Note:** This is not a template. Sample provisions are set out below for information purposes only.]

This Term Sheet, together with the Funding Proposal [and schedules and annexes] attached hereto, as agreed by the Green Climate Fund (“Fund”) and [the Accredited Entity], shall be reflected in the Funded Activity Agreement to be entered into by the Fund and [the Accredited Entity] in due course. The Parties acknowledge that such Funded Activity Agreement shall also incorporate the terms and conditions of the Accreditation Master Agreement dated [insert date] entered into by the Parties (the “Agreement”) and, as such, any derogation, modification or deviation from those terms is set out below.

**Project/Programme Activity Information**

1. GCF [Project/Programme Name]  
Description:  
[Objectives, etc.]
2. Implementation Arrangements
3. Total Amount to be Disbursed by the Fund / Form of Financing (grant, loan, equity, guarantee):
4. Components and Financing (by source)
5. Cost/Budget Breakdown
6. Disbursement Schedule
7. Permitted reallocation pursuant to Clause 11.02 of the Agreement (percentage of total projected costs):
8. Reporting Period:
9. Project Calendar

<b>Milestones</b>	<b>Expected Dates</b>
Start of Project/Programme Implementation	
Interim Evaluation	
Project/Programme Completion	
Final Evaluation	

10. Conditions to be met prior to the execution of the FAA  
[Insert conditions here]
11. Conditions for Effectiveness of the FAA  
[Insert conditions here]
12. Conditions for Disbursement under the FAA  
[Insert conditions here]
13. Details of Fund Agent

14. GCF Account  
[Bank]/[Ledger]
15. Account Details
16. GCF Holding Currency of Disbursements:  
[USD]/[JPY]/[EUR]/[GBP]
17. ESS and procurement compliance
18. Financial Reporting and Accounting Currency:

**[FOR GRANTS]**

19. [Key terms and conditions, including but not limited to:
  - (a) Accredited Entity fee,
  - (b) [repayment contingency terms.]
20. Events of default (additional to those set out in 0)
21. Remedies/Consequences of Default (additional to those set out in Clause 20)

**[FOR LOANS]**

22. [Key terms and conditions, including but not limited to:
  - (a) repayment period,
  - (b) grace period,
  - (c) pricing (interest, etc.),
  - (d) when interest/principal repayable (semi-annually, etc.),
  - (e) currency of repayment of principal/interest,
  - (f) amortisation schedule,
  - (g) Accredited Entity fees,
  - (h) taxes.
23. Events of default (additional to those set out in 0)
24. Remedies/Consequences of Default (additional to those set out in Clause 20)
25. Right of GCF to assign/transfer rights
26. [Acceleration]

**[FOR EQUITY]**

27. [Key terms and conditions including]
  - (a) conditions for investment (e.g. completion of due diligence)
  - (b) additional agreements to be entered into
  - (c) representations and warranties given to GCF
  - (d) conditions to completions
  - (e) corporate issues e.g.

- (1) appointment of directors
  - (2) number of GCF directors
  - (3) matters requiring GCF consent
  - (f) GCF obligations to maintain shareholding
  - (g) rights of GCF to exit investment, sell down, assign and/or transfer shares
  - (h) Accredited Entity fees
  - (i) costs
  - (j) taxes
  - (k) accounting, business plan and information rights
28. Events of default (additional to those set out in 0)
29. Remedies/Consequences of Default (additional to those set out in Clause 20)

**[FOR GUARANTEES]**

30. [Key terms and conditions including]
- (a) form of guarantee – [Comprehensive][Partial Risk][Partial Credit][Policy Based]
  - (b) beneficiary
  - (c) condition of a counter-guarantee from beneficiary
  - (d) obligations covered by guarantee [different for risk and credit guarantees]
  - (e) [value of guarantee/exposure of Fund under guarantee]
  - (f) length of guarantee
  - (g) currency of payments under guarantee
  - (h) procedures for making a claim under guarantee
  - (i) Accredited Entity fees
31. Right of GCF to assign/transfer rights
32. Events of default (additional to those set out in 0)
33. Remedies/Consequences of Default (additional to those set out in Clause 20)

Attachments:

**Annex 2 - Conditions Precedent to Disbursement**

1. [The Board adopted no conditions, in its Decision [*insert details of Decision*] Accrediting the Accredited Entity.]

[The Board adopted the following conditions in its Decision [*insert details of Decision*] Accrediting the Accredited Entity:

- (a) [Insert Conditions]]
2. Delivery of a Request for Disbursement, signed by the person or persons authorised to do so, within a timeframe that is acceptable to the Fund;
3. Delivery of evidence, satisfactory to the Fund, of the authority of the person or persons authorised to sign each Request for Disbursement and the authenticated specimen signature of each such person; and
4. Any other such documents and other evidence in support of each Request for Disbursement as the Parties shall specify in the FAA.

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**Annex 3 - Accreditation for Fiduciary Standards**

1. The Board has Accredited the Accrediting Entity for the following specialised fiduciary standards set out in the Fiduciary Principles and Standards:
  - (a) [Part 2.1 relating to the specialised fiduciary standards for project management.];<sup>12</sup>  
[and]
  - (b) [Part 2.2 relating to the specialised fiduciary standards for grant award mechanisms.];<sup>13</sup>[and]
  - (c) [Part 2.3 relating to the specialised fiduciary standards for on-lending and/or blending.];<sup>14</sup>
2. In addition, where the Funded Activity involves the Accredited Entity acting in relation to on-lending and/or blending transactions (through loans, grants, equity and guarantees), the Accredited Entity's roles and responsibilities to the Fund and any relevant investors shall include:
  - (a) Satisfying itself that it has complied with AML/CFT, "know your customer" and other similar checks under all laws and regulations applicable to it in relation to the proposed project, programme or investment, and promptly notifying the Fund upon being so satisfied.
  - (b) Obtaining all necessary legal opinions to ascertain the ability of the different parties to enter into the relevant transaction.
  - (c) Carrying out all necessary due diligence, as necessary or desirable in accordance with its own internal rules and usual practice when dealing with funds for which it has management or investment responsibility, in relation to the Funding Proposal, including but not limited to, (i) technical, engineering, economic, financial, risk, legal and commercial viability, (ii) compliance, in accordance with Clause 13.01, with the Standards (to the extent and scope of its Accreditation), (iii) developmental, climate change mitigation and/or adaptation impacts, (iv) administrative and regulatory requirements, and/or (depending on the circumstances) (v) any business or company searches to ascertain the solvency or financial health of the Executing Entity as well as other recipients or beneficiaries of the funding and parties to the transaction set out in the relevant Funding Proposal.
  - (d) Where appropriate and where the Fund is the holder or beneficiary of securities, shares, stocks etc. (an "Equity Stake") through any equity investments, seeking to ensure that such Equity Stake will not be subject to any restrictions on transfer or alienation (unless otherwise agreed by the Fund).
  - (e) Monitoring the implementation of the Funded Activity and furnishing to the Fund and all relevant investors, necessary or appropriate information for use in connection with the relevant transaction and warranting that all information that has been or will be furnished has and will at all times be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made.

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<sup>12</sup> Delete if the Accredited Entity has not applied to be accredited for this fiduciary function.

<sup>13</sup> Delete if the Accredited Entity has not applied to be accredited for this fiduciary function.

<sup>14</sup> Delete if the Accredited Entity has not applied to be accredited for this fiduciary function.

- (f) Obtaining from the relevant parties (and upon request, providing to the Fund) copies of relevant audited financial statements and any other relevant statements or reports as soon as they become available.
- (g) Receiving from the relevant parties and providing to the Fund, periodic reports from such third parties which provide details of the transaction including, the paydown principal, collections, default and delinquencies.
- (h) Promptly upon becoming aware of them, informing the Fund of the details of any relevant litigation, arbitration or administrative proceedings which are current, threatened or pending.
- (i) Making such management and personnel (together with any relevant materials) as the Fund reasonably considers necessary, available for meetings and discussions with them in relation to the relevant Funded Activity.
- (j) Notifying the fund promptly in case of any delays in connection with the relevant Funded Activity.
- (k) Identifying potential triggers and opinions required to be delivered under its governing documents and sending such information to the Fund and any other relevant parties.
- (l) Immediately notifying the Fund of a default scenario in accordance with its governing documents and acting to protect the interests of the Fund and any other relevant investors in such a scenario.
- (m) Allowing the Fund to assign or sell down its interest in a Funded Activity to a third party.
- (n) If applicable, depending on the nature of a Funded Activity, representing the Fund and acting in the Fund's interest in the event of a resolution of any dispute or conflict with a third party.

**Annex 4 - Accreditation for Environmental and Social Safeguards**

1. The Board has Accredited the Accrediting Entity to carry out Funded Activities that fall within the following Environmental and Social Risk Categories:
  - (a) *[Insert details of Accreditation]*

**Annex 5 - Accreditation for Size of Project**

1. The Board has Accredited the Accrediting Entity to carry out GCF Projects and activities within GCF Programmes for the following sizes:

[up to and including Micro-sized Activities] [up to and including Small-sized Activities][up to and including Medium-sized Activities] [up to and including Large-sized Activities]

**Annex 6- Request for Disbursement**

[[RECIPIENT]/[BORROWER]'S LETTERHEAD]

Green Climate Fund  
175, Art Center-daero  
Yeonsu-gu, Incheon 22004  
Republic of Korea  
Attn: [CFO]

[DATE]

Ref: Request for Disbursement – [AGREEMENT] No. [X] - Request for Disbursement [No. [\_\_\_\_]]

Ladies and Gentlemen:

1. Reference is made to the [AGREEMENT] dated as of [DATE] (the “Agreement”) between [ADD NAME OF RECIPIENT/BORROWER] (the “[Recipient]/[Borrower]”) and the Green Climate Fund (“GCF”). Capitalised terms used but not defined in this request have the meanings assigned to them in the Agreement. The rules of interpretation set forth in Clause [X] (NAME OF CLAUSE) of the Agreement shall apply to this request.
2. The [Recipient]/[Borrower] irrevocably requests disbursement on [DATE] (or as soon as practicable thereafter) of the amount of [\_\_\_\_\_] [CURRENCY] under the Agreement (the “Disbursement”), in accordance with Clause [X] (NAME OF CLAUSE) of the Agreement. GCF is requested to pay such amount to the Account No. \_\_\_\_\_, [SWIFT/ABA] at [name and address of bank] in [city and country].
3. The [Recipient]/[Borrower] certifies that all the conditions precedent set forth in Clause [X] (NAME OF CLAUSE) of the Agreement have been satisfied.
4. The [Recipient]/[Borrower] further certifies that the proceeds of all Disbursements shall be applied only for the purpose described in Clause [x] (NAME OF CLAUSE) of the Agreement.
5. The above certifications are effective as of the date hereof and shall continue to be effective as of the date of Disbursement for this Disbursement. If any certification is no longer valid as of or prior to such Disbursement, the [Recipient]/[Borrower] will notify GCF immediately and, on demand, repay the Disbursement (or any portion thereof) if the Disbursement is made prior to GCF’s receipt of such notice.
6. The [Recipient]/[Borrower] acknowledges hereby that the total amount of funds disbursed under the Agreement up to the current date, without considering the funds to be disbursed under this request, is [\_\_\_\_\_].

Yours truly,  
[X]

By: \_\_\_\_\_  
Authorised Representative

By: \_\_\_\_\_  
Authorised Representative

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## **EXHIBIT A - General Principles on Prohibited Practices**

### **I. Introduction**

1. The Green Climate Fund ("Fund") is strongly committed to preventing and combating fraud, corruption, Money Laundering, Terrorist Financing and other Prohibited Practices (as defined below), in accordance with international standards. In that regard, it expects all individuals and entities involved in Fund-related Activities (as defined below) to observe the highest standards of ethics and to take appropriate measures to prevent and combat such Prohibited Practices.

### **II. Scope**

2. These General Principles shall apply to all:
  - a. "**Fund-related Activities**", which means any activity which is financed, administered or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund, and
  - b. "**Counterparties**", which means any party that contributes to, executes, implements, bids for, benefits from, or in any way participates in, Fund-related Activities, including receiving, or being a beneficiary of, a grant, loan or other form of financing or support from the Fund,

in respect of "**Prohibited Practices**" as defined in paragraph 4 below, including attempts to commit or suspicions thereof. For the avoidance of doubt, Fund-related Activities include Funded Activities as defined in the Agreement, and Counterparties include the Accredited Entity and any Executing Entity.

### **III. General Requirements of all Counterparties in relation to Fund-related Activities**

3. The Fund requires all Counterparties to:
  - a. adhere to the highest ethical standards;
  - b. take all appropriate measures to prevent or mitigate fraud, corruption, and other Prohibited Practices; and
  - c. refrain from engaging in Prohibited Practices in connection with Fund-related Activities.
4. **Prohibited Practices.** The practices defined in this paragraph are prohibited ("Prohibited Practices")<sup>15</sup> in relation to Fund-related Activities:
  - a. "Corrupt practice" means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, favors, invitations, and benefits of any kind) to influence improperly the actions of another party.
  - b. "Fraudulent practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.

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<sup>15</sup> The definitions of corruption, fraud, coercion, and collusion are harmonized definitions adopted by multilateral development banks consisting of the Africa Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IADB), and the World Bank (WB).

- c. "Coercive practice" means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
  - d. "Collusive practice" means an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influence the actions of another party.
  - e. "Obstructive practice" includes (i) deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; (ii) making false statements to investigators in order to materially impede an investigation; (iii) failing to comply with requests to provide information, documents or records in connection with a Fund investigation; (iv) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (v) materially impeding the Fund's contractual rights of audit or access to information.
  - f. "Abuse" means theft, misappropriation, waste or improper use of property or assets related to Fund-related Activity, either committed intentionally or through reckless disregard.
  - g. A "conflict of interest" is any situation in which a party or any of its staff involved in the relevant decision making process has interests that could, or could be deemed to, improperly influence its performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.<sup>16</sup>
  - h. "Retaliation against whistleblowers or witnesses" means any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness, or person associated with a whistleblower or witness, in a manner material to a complaint because of the report or cooperation with a Fund investigation by the whistleblower or witness.
  - i. "Money Laundering" has the meaning as set forth at paragraph a below.
  - j. "Terrorist Financing" has the meaning as set forth at paragraph b below.
5. **Additional Terms and Definitions** - For the purposes of this document, the following terms have the meanings ascribed to them below:
- a. "**Money Laundering**" refers to: (a) the conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the crime to evade the legal consequences of his or her action; (b) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime<sup>17</sup>; or (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.

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<sup>16</sup> A conflict of interest may not, in all cases, in and of itself, constitute a Prohibited Practice.

<sup>17</sup> Refer to Article 5 of the United Nations Convention against Transnational Organized Crime, 2000 (the Palermo Convention).

- b. **“Terrorist Financing”** means the act of, directly or indirectly, providing or collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts.<sup>18</sup>

**IV. Action to be taken by Counterparties to Combat Prohibited Practices in relation to Fund-related Activities.**

- 6. All Counterparties shall take timely and appropriate measures to:
  - a. ensure that Fund-related Activities are carried out in accordance with these General Principles;
  - b. disclose and address conflicts of interest in a Fund-related Activity. If a conflict of interest or deemed conflict of interest arises, the Counterparty will promptly inform the Fund thereof and shall follow the instructions of the Fund on how to address such conflict or deemed conflict;
  - c. prevent Prohibited Practices from occurring in relation to a Fund-related Activity, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the Fund proceeds in the form of a grant, loan, contract award, or other forms of financing or support are used only for the purposes for which such financing or support was granted;
  - d. promptly inform the Fund of allegations of Prohibited Practices found, suspected or alleged in connection with a Fund-related Activity;
  - e. investigate allegations of Prohibited Practices and report preliminary and final findings of investigations to the Fund;
  - f. respond to, mitigate, and remedy Prohibited Practices that are found to have occurred in a Fund-related Activity and prevent their occurrence;
  - g. cooperate fully with the Fund in any Fund investigation into allegations of Prohibited Practices related to a Fund-related Activity, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to such investigation, including, in each case, allowing the Fund to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of the Fund; and
  - h. ensure that individuals or entities sanctioned by the Fund do not participate in Fund-related Activities in violation of their sanction.

**V. Actions to be taken by the Fund in cases of Prohibited Practices in relation to Fund-related Activities.**

- 7. The Fund, through the Integrity Unit or any office of the Fund duly authorised to receive reports, investigate, and address allegations or suspicions of Prohibited Practices prior to the establishment of the Integrity Unit, shall:
  - a. inform a Counterparty of credible and material allegations or other indications of Prohibited Practices related to a Fund-related Activity;

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<sup>18</sup> According to Article 2 of the International Convention for the Suppression of the Financing of Terrorism, a person commits the crime of financing of terrorism if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out an offence within the scope of the Convention: (a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or (b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organisation to do or to abstain from doing any act.

- b. have the right to investigate allegations independently or in collaboration with competent authorities and/or the Counterparty;
- c. inform the Counterparty of the outcome of any investigation;
- d. have the right to reject or disqualify a proposal for a Fund-related Activity if it determines that the Counterparty has directly or indirectly engaged in any Prohibited Practices;
- e. have the right to sanction any Counterparty for engaging in Prohibited Practices in accordance with the Fund's policies, guidelines and procedures, as may be adopted and amended from time to time; sanctions may result in that Counterparty's exclusion from participating in a Fund-related Activity indefinitely or for a stated period of time;
- f. without limiting the generality of the foregoing, have the right to impose one or more of the following measures on a Counterparty for engaging in Prohibited Practices in connection with a Fund-related Activity:
  - i. Reprimand – the Fund may send a formal letter of reprimand of the Counterparty's behaviour;
  - ii. Cancellation or suspension – the Fund may cancel or suspend a portion of Fund proceeds allocated to a Counterparty but not yet disbursed under a financing agreement or contract for goods or services;
  - iii. Debarment – the Fund may declare a Counterparty, either indefinitely or for a specified period of time, ineligible:
    - 1) To be awarded future financing from the Fund;
    - 2) To be awarded a contract financed by the Fund;
    - 3) To benefit from a contract financed by the Fund, financially or otherwise, for example as a subcontractor; and
    - 4) To otherwise participate in Fund-related Activity, in whole or in part;
  - iv. Conditional Non-Debarment – the Fund may require the Counterparty to comply, within specified time periods, with certain remedial, preventative or other measures as a condition to avoid debarment. In the event the Counterparty fails to demonstrate its compliance with the prescribed conditions within the time periods established, a debarment may automatically become effective for a period of time;
  - v. Restitution of funds – the Fund may require restitution of improperly used or diverted Fund proceeds; and
- g. have the right to (i) share information on sanctions imposed pursuant to subparagraphs e and f with other international organisations, multilateral institutions and competent authorities, and (ii) recognise sanctions determined by other international organisations, multilateral institutions and competent authorities, if appropriate.

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## **Annex XXVII: Additional policy guidance for the purpose of accreditation master agreements**

### **I. Liability**

The contractual liability of the Fund should be limited to the funding amounts approved by the Board in respect of funding and applicable fees.

### **II. Due Diligence**

The Fund relies on the due diligence and the risks assessments performed by the accredited entity and presented to the Fund in the relevant funding proposal. However, the Fund reserved the right to ask for additional information, clarification and documents from the accredited entity. Where funding does not flow through the accredited entity, the Fund will also perform its own legal due diligence on funding structures involving direct relationship with third parties.

### **III. Confidentiality**

The Fund will take necessary steps to accommodate the confidentiality requirements of accredited entities.

### **IV. Grievance Mechanism**

The Fund and the accredited entity shall cooperate to the fullest extent possible to address grievances by communities and people who have been directly affected by the adverse impacts of funded activities approved by the Board, whereby the independent redress mechanism of the Fund shall be complementary to the similar mechanism of the accredited entity which will be the primary responsible body to assess and decide on grievances.

### **V. Time frame for Final Funding Approval**

The Board will grant additional time where it is satisfied on a case-by-case basis that the accredited entity is taking reasonable steps to comply with the time frames outlined in its executed AMA.

## Annex XXVIII: Risk register

### I. Strategic risk

Risk code	1.1	1.2	
Risk category	Strategic	Strategic	
Subcategory	Climate impact and results	Concentration	
Description	Failure to deliver the expected transformative mitigation and adaptation climate impact as defined by the objectives, investment criteria and the results management framework of the GCF.	Concentration on a limited number or types of accredited entities (AEs) or geographies that fail to generate the required balance in mitigation/adaptation; pipeline of projects/programmes.	
Triggers	<p>1.1.1 Low scale of total mobilized funding by the GCF (including co-financing from other sources);</p> <p>1.1.2 Ineffective use of resources due to poor overall GCF strategy or poor choice of projects/programmes to fund, undermining sustainable development; and</p> <p>1.1.3 Insufficient demand for the GCF resources.</p>	<p>1.2.1 Poor outreach or an excessively complicated accreditation process limits interest by entities to be accredited leading to reliance on a limited number of them;</p> <p>1.2.2 Pipeline management and approval process fail to adequately balance projects/programmes by AE/geography/financial instrument/thematic areas, and adaptation allocation towards LDC/SIDS and African states ; and</p> <p>1.2.3 Inability of direct access entities to generate projects fitting the GCF's criteria due to lack of capacity, including due to insufficient readiness support.</p>	
Mitigation	Internal governance, investment criteria, results management framework, monitoring and evaluation, resource mobilization, country programming outreach efforts, readiness programme, and accreditation process.	Portfolio reports, including concentration levels (on profile of AEs, levels of approved funding, countries, instruments and project typology) to inform Board decisions on accreditation and funding approval and the Secretariat on pipeline development. Investment criteria.	
Owner	Board, Executive Director and Directors	Board, Executive Director and Directors	
Probability	Somewhat likely (SL)	Low (L)	
Impact	High (H)	H	
Priority	H	Medium (M)	
Key risk indicator	Portfolio management overall annual assessment, including measurement of the core adaptation and mitigation indicators agreed in decision B.07/04	Herfindahl-Hirschman Index for AEs/ percentage distribution by number of projects and financial resources by geographic location and adaptation versus mitigation	
Risk code	1.3	1.4	1.5
Risk category	Strategic	Strategic	Strategic
Subcategory	Portfolio management	Accountability	Country ownership
Description	Failure to build an optimal portfolio of	Failure of governance to enable and make timely	Failure to develop a portfolio of projects and

	projects/programmes as defined by the initial results management framework of the GCF.	decisions in corporate affairs or to respond to Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) guidance.	programmes that is fully aligned with country priorities and strategies; that fosters the involvement of local actors; and that is consistent with the country's debt sustainability framework.
<b>Triggers</b>	1.3.1 Weak oversight by AEs, national designated authorities (NDAs) and the GCF on delivery of GCF investments and weak enforcement of remedial actions on low-performing projects; 1.3.2 Poor application of the results management framework to measure evolution of GCF-level results and adjust pipeline and portfolio accordingly; and 1.3.3 Ineffective identification (by the GCF, AEs, NDAs or other partners) of investment opportunities with strong paradigm shift potential.	1.4.1 COP guidance that is difficult to operationalize/translate into specific policies; 1.4.2 Inability to take timely decisions due to overloading of meeting agendas and lack of efficient board meeting proceedings; and 1.4.3 Failure to implement and/or develop procedures to address, inter alia, decision-making in the absence of consensus and between Board meetings.	1.5.1 Failure of the GCF to incorporate NDAs/focal points guidance, including due to their having limited capacity because of lack of support from the GCF; 1.5.2 Failure of the GCF to operate consistently with each country's debt sustainability framework; and 1.5.3 Insufficient GCF support to projects generating high local impact and empowerment of local stakeholders, including local communities, indigenous people, and civil societies.
<b>Mitigation</b>	Second level due diligence process based on the data from the AEs; independent Technical Advisory Panel; active oversight in portfolio management; monitoring and evaluation; and remedial actions when projects do not perform.	Board procedures, intersession decision-making arrangements and procedures for decision-making in the absence of consensus (under development).	Country programming outreach process to NDAs/focal points; GCF readiness programme; no-objection process from NDAs/focal points; second-level due diligence.
<b>Owner</b>	Board, Executive Director and Directors	Board	Board, Executive Director and Directors
<b>Probability</b>	Low (L)	Low (L)	Low (L)
<b>Impact</b>	High (H)	High (H)	High (H)
<b>Priority</b>	Medium	Medium	Medium (M)
<b>Key risk indicator</b>	Analysis of portfolio distribution and linkages to observed GCF-level impacts on mitigation and adaptation.	Delay in days between the presentation of a proposed decision to the Board and actual decision-making; assessment of divergence between COP	Qualitative assessment from NDAs.

		guidance and actual Board decisions.	
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## II. Reputational risk

Risk code	2.1	2.2	2.3
<b>Risk category</b>	Reputational	Reputational	Reputational
<b>Subcategory</b>	Business practices and results	Unexpected shocks	Accredited entities and other partners' activities
<b>Description</b>	Events or issues that have a materially adverse effect on the credibility of the GCF in developing countries or with contributors, accredited entities or civil society organizations. This includes the GCF being perceived as lacking added value, being over bureaucratic, not adhering to countries' priorities or managing its resources poorly.	Adverse publicity that occurs as a result of fraud, implementation failure or other types of unforeseen shocks related to the operations of the GCF.	Adverse publicity that occurs as a result of activities not related to the GCF of accredited entities (AEs) and other partners involved in project/programmes, or from their lack of disclosure of relevant information.
<b>Triggers</b>	2.1.1 Ineffective dissemination of results delivered by GCF-supported projects/programmes, including presenting added value with respect to other financial partners; 2.1.2 Overly complex procedures to access GCF funding or failure to communicate in simple language the steps to access such funding; and 2.1.3 Slow decision-making processes at the Board, Secretariat, accredited entity or country-levels.	2.2.1 Poor oversight of AEs by the GCF; 2.2.2 Poor oversight by AEs of executing entities, including with respect to adherence to procurement, environmental and social safeguards, gender policies as well as financial management; and 2.2.3 Failure to develop strong relationships with media, civil society organizations (CSOs) and other stakeholders.	2.3.1 Failure of due diligence during the accreditation process; 2.3.2 Lack of internal 'early warning systems' based on media monitoring and engagement with other stakeholders; and 2.3.3 Lack of adequate institutional capacity in the Secretariat to monitor the number and complexity of AEs and other partners thus increasing the difficulty of monitoring emerging risks.
<b>Mitigation</b>	Communications strategy (in progress), including the approach to disseminating results, internal processes manuals (in progress), readiness programme, accreditation process,	Accreditation process, oversight actions taken by the GCF as specified in the master agreement signed with AEs, portfolio management, including review of the progress report for each project,	The accreditation process, media monitoring, country programming and portfolio management units' engagement with AEs, NDAs, CSOs and other stakeholders.

	Country Programming outreach, financial management processes of the GCF, media monitoring, participation of observers in Board meetings.	activities of the Redress Mechanism and Integrity Units, and media monitoring.	
<b>Owner</b>	Board, Executive Director, Directors and Chief Financial Officer	Board, Executive Director, Directors and Heads of Accountability Units	Executive Director and Director
<b>Probability</b>	Somewhat unlikely (SU)	Somewhat likely (SL)	Low (L)
<b>Impact</b>	Somewhat disruptive (SD)	High (H)	H

Risk code	2.1	2.2	2.3
<b>Priority</b>	Medium (M)	H	M
<b>Key risk indicator</b>	Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral); periodic survey of NDAs, AEs and observers.	Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral).	Percentage and number of negative media reports related to this risk subcategory (as opposed to positive and neutral).

### III. Operational risk

Risk code	3.1	3.2
<b>Risk category</b>	Operational	Operational
<b>Sub-category</b>	Accredited entities (AEs) and other parties' risk	Fiduciary
<b>Description</b>	Failure of AEs to comply with the accredited entities master agreement, including in terms of information disclosure. Lack of implementation capacity of the AEs leading to lack of or slow disbursement. Failure of other parties, including executing entities (EEs), involved in GCF projects and programmes to comply with their respective agreements with the GCF or with AEs.	Failure of the GCF to exercise effectively its fiduciary duty due to: (a) failure of internal controls in administrative and operational procedures; (b) failure to effectively monitor risks and follow appropriate mitigation procedures, including due to the use of improper analytical models; (c) failure to oversee AEs (and their oversight over executing entities); (d) failure to monitor and engage national designated authorities (NDAs); and (e) internal or external fraud.
<b>Triggers</b>	3.1.1 Inadequate accreditation process; 3.1.2 Accreditation master agreement not aligned with implementation circumstances in certain countries/sectors/type of AEs; and	3.2.1 Absence of or unclear internal processes manuals and controls; 3.2.2 Defective accredited entities master agreement that limits the ability of the GCF to exercise its fiduciary duty; and

	3.1.3 Deterioration in AEs' institutional capacity and performance, including with respect to their ability to oversee executing entities.	3.2.3 Inadequate external audits of the GCF, AEs or EEs with respect to activities carried out with GCF funding.
<b>Mitigation</b>	Accreditation process; oversight of AEs through periodic monitoring and default clauses in the accredited entities master agreement; portfolio management system.	Technical imposed controls in computer systems; periodic internal controls review, including the Committee of Sponsoring Organizations of the Treadway Commission exercise. Risk management framework; portfolio management systems; periodic review, including spot checks, of AE activities; periodic engagement with NDAs; yearly audit of the GCF and of funded activities.
<b>Owner</b>	Executive Director and Directors	Board, Executive Director and Directors
<b>Probability</b>	Somewhat likely (SL)	Somewhat likely (SL)
<b>Impact</b>	Somewhat disruptive (SD)	Somewhat disruptive SD
<b>Priority</b>	High (H)	High (H)
<b>Key risk indicator</b>	Number of non-compliance with legal agreements/deviation in monetary terms from expected rate of disbursements	Number of operational incidents and associated loss

Risk code	3.3	3.4
<b>Risk category</b>	Operational	Operational
<b>Subcategory</b>	Staffing	Business disruption
<b>Description</b>	Operational failures, losses and other disruptions arising from the staffing model of the GCF, including staff headcount level and external consultants as well as from problems with recruitment, retention, succession planning, integrity and morale among GCF staff.	Disruption of business due to catastrophic events or systems failures (hardware, software, telecommunications, unrest).
<b>Triggers</b>	3.3.1 Inadequate professional profile and insufficient GCF staff; 3.3.2 Inadequate workload per staff and/or lack of expectations regarding career progression; and 3.3.3 Use of consultants who only provide limited knowledge transfer to staff and who may have divided loyalties.	3.4.1 Disruption in the provision of public services to GCF Headquarters or strife that prevents temporary or permanent access to GCF Headquarters; 3.4.2 Inaccessibility of GCF information assets, including failure of remote backup server systems and failure to develop and implement a remote working location arrangement; and 3.4.3 Low quality hardware and software developed or procured by the GCF.
<b>Mitigation</b>	Human Resources guidelines, including a competitive benefits package, effective	Cloud centric way of holding and securing information assets,

	performance management system, and continuous learning opportunities; actions to sustain staff morale; Board empowering of the Secretariat staff; Integrity Unit.	combined with mobile computing, to allow staff to work remotely. A business continuity management system consistent with ISO 22301:2012 is under development.
<b>Owner</b>	Board, Executive Director, Directors and Integrity Unit	Chief Financial Officer
<b>Probability</b>	High (H)	Low (L)
<b>Impact</b>	Somewhat disruptive (SD)	High (H)
<b>Priority</b>	High (H)	Medium (M)
<b>Key risk indicator</b>	Number of long-term unfulfilled positions, turnover rate, periodic benchmarking against similar organizations, number of incidents and associated losses involving rogue employees, consultants/staff ratio, staff survey, outcomes of performance management tools, ratios relating to: number of staff/level of GCF financial assets, number of staff/number of NDAs, AEs and projects.	Number of events and associated impact as well as outcomes of periodic simulated events.

#### IV. Legal risk

Risk code	4.1	4.2	4.3
<b>Risk category</b>	Legal	Legal	Legal
<b>Subcategory</b>	Legislative	Contractual	Non-contractual
<b>Description</b>	Failure by the GCF, accredited entities (AEs) or executing entities to implement legislative or regulatory requirements related to the operations or engagements of the GCF in situations where governing laws or rules are ambiguous or untested.	Use of defective contracts that expose the GCF to disputes and losses.	The GCF, AEs or executing entities fail to keep to the spirit, as well as the letter, of non-contractual law: for example, with respect to infringement of third-party intellectual property rights.
<b>Triggers</b>	4.1.1 Lack of privileges and immunities for the GCF and its staff in all countries where the GCF operates; 4.1.2 Improper monitoring of legislative/regulatory changes applicable to the GCF, including due to poor communication with host country authorities; and	4.2.1 Improper drafting of legal contracts by GCF legal staff, including due to improper monitoring of applicable laws; 4.2.2 Deviation from master/framework legal agreements; and 4.2.3 Improper drafting of a mediation mechanism clause.	4.3.1 Non-compliance by the GCF, AE or executing entities with non-contractual law; 4.3.2 Failure of the GCF to follow generally accepted duty of care with staff, Board members or other stakeholders; and 4.3.3 Failure of an executing entity to follow procurement and environmental and social

	4.1.3 Inconsistency between regulations and laws applicable to the GCF and Board decisions, and other internal policies.		safeguards practices consistent with those established in the AEs master agreement.
<b>Mitigation</b>	General Counsel (GC) review of the operating environment of the GCF; accreditation process; portfolio and media monitoring; privileges and immunities (not yet in place).	GC and, when applicable, senior management review of all contracts. Use of external counsel if necessary. Privileges and immunities (not yet in place).	GC oversight of legal documents and internal practices. Adequate staffing of portfolio management teams. Oversight of commitments in the AEs master agreement and in the funded activity agreement.
<b>Owner</b>	Executive Director, Directors and GC	Executive Director, Directors and GC	Board, Executive Director and Directors
<b>Probability</b>	Somewhat likely (SL)	Low (L)	Low (L)
<b>Impact</b>	High (H)	High (H)	Somewhat non-disruptive (SND)
<b>Priority</b>	High (H)	Medium (M)	Medium (M)
<b>Key risk indicator</b>	Number of events (sanctions, legal suits) and associated losses.	Number of events (sanctions, legal suits) and associated losses.	Number of events (sanctions, legal suits) and associated losses.

## V. Compliance

Risk code	5.1	5.2
<b>Risk category</b>	Compliance	Compliance
<b>Subcategory</b>	External	Internal
<b>Description</b>	Failure to comply with the applicable established laws, regulations, policies and standards and codes of conduct set by countries in which the GCF operates and by international law.	Failure of staff or Board members to comply with the standards and codes of conduct that are set by the GCF itself through its policies and procedures.
<b>Triggers</b>	5.1.1 Lack of privileges and immunities for the GCF and its staff in all countries where the GCF operates; 5.1.2 Ineffective/inefficient staff to monitor compliance; and 5.1.3 Uncertainty regarding laws/regulations/policies from countries where the GCF operates applicable to the GCF.	5.2.1 Lack of compilation of policies, procedures, standards of codes; 5.2.2 Lack of enforcement by the Board or Secretariat management; and 5.2.3 Real or perceived ineffectiveness of the Integrity Unit.
<b>Mitigation</b>	Fiduciary policies, including anti-money laundering/ countering the financing of terrorism (under development). Environmental and social safeguards; gender policies; periodic exchanges with home country	Board meetings; internal processes manuals (under development); Integrity Unit.

	authorities; privileges and immunities (not yet in place).	
<b>Owner</b>	Executive Director, GC, Chief Financial Officer (CFO) and Directors	Board, Executive Director, GC, CFO, Directors and Integrity Unit
<b>Probability</b>	Somewhat likely (SL)	Somewhat unlikely (SU)
<b>Impact</b>	High (H)	Somewhat disruptive (SD)
<b>Priority</b>	High (H)	Medium (M)
<b>Key risk indicator</b>	Number of events and associated loss (if any)	Number of events and associated loss (if any)

## VI. Performance risk

Risk code	6.1	6.2	6.3
<b>Risk category</b>	Performance	Performance	Performance
<b>Subcategory</b>	Temporal	Monetary	Investment criteria
<b>Description</b>	Failure of accredited entities (AEs) or executing entities (EEs) to respect tenors and/or schedules as pertain to financial obligations or the execution of projects/programmes.	Failure of AEs and executing entities to honour financial obligations in a timely manner. This includes credit risk; counterparty risk; equity risk; and political risk, including nationalization, expropriation, convertibility and transferability.	Failure of AEs or executing entities to adhere to the investment criteria results to which they committed themselves.
<b>Triggers</b>	6.1.1 Temporary inability of AE or EE to make timely payments either due to events related to the project/programme funded by the GCF or to external events; and 6.1.2 Lax project implementation by AE leads to significant delays in project execution.	6.2.1 Inability (insolvency) of AE or EE to make payments either due to events related to the project/programme funded by the GCF or to external events; 6.2.2 GCF remedies in cases of default are ineffective (or such perception exists among AEs and EEs), including due to the arbitration clause in GCF legal agreements being successfully contested in court; and 6.2.3 Grant is lost in the bankruptcy process and the project is not implemented.	6.3.1 Investment criteria is not specific enough to guide AE/EE and the GCF fails to provide further specificity in legal documents associated with each investment; 6.3.2 Reporting requirements from AE/EE are insufficient to assess compliance with investment criteria (including due to a reporting time lag); and 6.3.3 Poor oversight by the GCF of AE activities or failure to identify potential deviations from the investment criteria during the project/programme approval phase.
<b>Mitigation</b>	Accreditation process; project approval process; AE monitoring process as	Accreditation process; project approval process; AE monitoring	Accreditation process; project approval process; AE monitoring

	specified in the accredited entities master agreement; portfolio management oversight and remedial actions for low performing projects; media and other public sources monitoring.	process as specified in the accredited entities master agreement; portfolio management system; media and other public sources monitoring.	process as specified in the accredited entities master agreement; media and other public sources monitoring; periodic interaction with the national designated authorities (NDAs).
<b>Owner</b>	Executive Director, Directors, Chief Financial Officer (CFO) and Risk Manager	Executive Director, Directors, CFO and Risk Manager	Executive Director, Directors, CFO and Risk Manager
<b>Probability</b>	Somewhat unlikely (SU)	Somewhat unlikely (SU)	Somewhat unlikely (SU)

<b>Risk code</b>	<b>6.1</b>	<b>6.2</b>	<b>6.3</b>
<b>Impact</b>	Somewhat non-disruptive (SND)	High (H)	Somewhat non-disruptive (SND)
<b>Priority</b>	Low (L)	Medium (M)	Low (L)
<b>Key risk indicator</b>	Number and amount of rescheduled flows as percentage of portfolio	Non-performing loans and write-offs	Number of instances of deviation and amount of resources involved, costs (operational and financial) incurred on correcting such deviations
<b>Risk code</b>	<b>6.4</b>		
<b>Risk category</b>	Performance		
<b>Subcategory</b>	Concentration		
<b>Description</b>	Failure to sufficiently diversify the portfolio of AEs/EEs and/or investments such that a material adverse event related to a restricted number of AEs/EEs and/or projects would have a portfolio-level threatening impact on the GCF.		
<b>Triggers</b>	6.4.1 Failure of the project approval process to identify impact of specific project on the overall concentration profile; and 6.4.2 Failure to periodically adjust the criteria for project approval to keep an adequate balance of the portfolio with respect to AE/EE or instruments used.		
<b>Mitigation</b>	Accreditation process; project approval process; portfolio management system; AE monitoring process as specified in the accredited entities master agreement; media and other public sources monitoring; periodic interaction with the NDAs.		
<b>Owner</b>	Executive Director, Directors, CFO and Risk Manager		
<b>Probability</b>	Somewhat unlikely (SU)		
<b>Impact</b>	Somewhat disruptive (SD)		
<b>Priority</b>	Medium (M)		
<b>KRI</b>	Herfindahl-Hirschman Index for AE and instrument type; list of 10 top AEs by exposure; list of 10 top EEs by exposure		

## VII. Funding risk

<b>Risk code</b>	<b>7.1</b>	<b>7.2</b>
<b>Risk category</b>	Funding	Funding

Subcategory	Conversion	Encashment
<b>Description</b>	Failure to convert pledges into contributions in a timely manner.	Expected payments in cash or the encashment of promissory notes, do not materialize within the expected time frame.
<b>Triggers</b>	7.1.1 Fiscal issues arising in contributor countries; 7.1.2 Delays in legal processes within contributor countries or changes in policy priorities with respect to climate change; and 7.1.3 Loss in confidence of contributor countries in the effectiveness of the GCF.	7.2.1 Fiscal issues arising in contributor countries; 7.2.2 Change in policy priorities with respect to climate change; and 7.2.3 Real or perceived inability of the GCF to enforce contribution arrangements.
<b>Mitigation</b>	Resource mobilization reports to the Board; periodic engagement with contributors; media and other public sources monitoring.	Resource mobilization reports to the Board; periodic engagement with contributors; media and other public sources monitoring.
<b>Owner</b>	Executive Director, Chief Financial Officer (CFO) and Risk Manager	Executive Director, CFO and Risk Manager
<b>Probability</b>	Somewhat likely (SL)	Somewhat likely (SL)
<b>Impact</b>	High (H)	Somewhat disruptive (SD)
<b>Priority</b>	High (H)	Low (L)
<b>Key risk indicator</b>	Percentage of pledges remaining unsigned (for each year of the replenishment period)	Amount of payment/encashment of note not received and number of months of delay per contributor

Risk code	7.3	7.4
<b>Risk category</b>	Funding	Funding
<b>Subcategory</b>	Reflow	Concentration
<b>Description</b>	Expected reflows to the GCF from the project portfolio do not materialize within the expected time frame.	Failure to sufficiently diversify the portfolio of contributors such that a materially adverse event related to one or a few key contributors would give rise to a GCF-threatening liquidity or solvency situation.
<b>Triggers</b>	7.3.1 Performance risk; and 7.3.2 Failure of GCF grant/loan management (operational risk) system to identify missing flows.	7.4.1 Support for climate change financing is limited to a relatively reduced number of countries due to evolving policy priorities; 7.4.2 Failure of replenishment processes due to ineffective outreach to contributors; and 7.4.3 Impasse occurs at the level of the Conference of the Parties to the United Nations Framework Convention on Climate Change.
<b>Mitigation</b>	Periodic testing of internal management systems	Resource mobilization reports to the Board; periodic engagement with contributors; commitments

		management system; media and other public sources monitoring.
<b>Owner</b>	Executive Director, CFO and Risk Manager	Executive Director, CFO and Risk Manager
<b>Probability</b>	Somewhat unlikely (SU)	Low (L)
<b>Impact</b>	High (H)	High (H)
<b>Priority</b>	Medium (M)	Medium (M)
<b>Key risk indicator</b>	Amount of missing reflows and number of months of delay per AE.	Herfindahl-Hirschman Index for contributors and/or list of top five contributors as percentage of replenishment.

## VIII. Market risk

Risk code	8.1	8.2	8.3
<b>Risk category</b>	Market	Market	Market
<b>Subcategory</b>	Foreign exchange (FX)	Interest rate	Liquidity
<b>Description</b>	Foreign exchange risk	Adverse changes in interest rates, including investment losses in the liquid cash portfolio of the GCF.	Timing mismatch between the cash inflows and cash outflows leading to shortages in the ability of the GCF to face its payment obligations (including disbursements to accredited entities (AEs)).
<b>Triggers</b>	8.1.1 FX fluctuations affecting the value of un-cashed signed contributions; 8.1.2 FX fluctuations affecting the value of reflows to the GCF; and 8.1.3 FX fluctuations affecting the value of commitments made to AEs for grants and loans made in currencies different to the holding currency of the GCF.	8.2.1 Change in interest rates generate losses in the Trustee investment of the liquid portfolio of the GCF; and 8.2.2 Pre-payment risk of fixed rate financial instruments provided by the GCF.	8.3.1 Delay in encashment of signed contributions; 8.3.2 Disbursement requests from AE exceeding expected rate; and 8.3.3 Rescheduling of loans extended by the GCF.
<b>Mitigation</b>	Instruments management system (in progress); FX reserve; FX hedging	Periodic review of trustee investment policies; project approval process; asset-liability management system.	Cash flow model; financial instruments management system.
<b>Owner</b>	Board, Executive Director, Chief Financial Officer (CFO) and Risk Manager	Executive Director, Director, CFO and Risk Manager	Executive Director, CFO and Risk Manager
<b>Probability</b>	Somewhat unlikely (SU)	Somewhat likely (SL)	Somewhat likely (SL)

<b>Impact</b>	Somewhat disruptive (SD)	Somewhat non-disruptive (SND)	Somewhat disruptive (SD)
<b>Priority</b>	Medium (M)	Medium (M)	High (H)
<b>Key risk indicator</b>	Historical losses adjusted to take into account FX positions that cannot be hedged on an economic basis.	Value at risk of liquid portfolio and amount of fixed rate loans extended by the GCF subject to prepayment risk.	Duration mismatch and/or percentage of available funds held as a liquidity cushion.

## IX. Priority table

Impact Occurrence probability	Low (L)	Somewhat non-disruptive (SND)	Somewhat disruptive (SD)	High (H)
Low (L)	Low priority	Low priority	Low priority	Medium priority
Somewhat unlikely (SU)	Low priority	Low priority	Medium priority	Medium priority
Somewhat likely (SL)	Low priority	Medium priority	High priority	High priority
High (H)	Medium priority	Medium priority	High priority	Very High priority

## Annex XXIX: Information disclosure policy

### I. Objective and scope

1. The Green Climate Fund (GCF) recognizes the importance of and reaffirms its commitment to transparency and accountability in all aspects of its operations in fulfilling its mandate and in strengthening public trust in the GCF. Through the implementation of this Information Disclosure Policy (the Policy), the GCF recognizes the need to ensure public access and stakeholder participation in fulfilling its role. The GCF will ensure the greatest degree of transparency in all its activities through the effective dissemination of information to stakeholders and the public at large.
2. The Governing Instrument for the GCF provides that the GCF will operate in a transparent and accountable manner guided by the principles of efficiency and effectiveness.
3. This document sets out the Policy of the GCF regarding the information that it makes available to the public either as a routine matter or upon request.
4. This Policy applies to all information produced by or in the possession of the GCF.

### II. Definitions

5. For the purposes of the Policy, the following terms shall have the meaning set out below:
  - (a) **Accountability Units** means the independent integrity unit (referred to in paragraph 68 of the Governing Instrument), the independent redress mechanism (referred to in paragraph 69 of the Governing Instrument) and the independent evaluation unit (referred to in paragraph 60 of the Governing Instrument);
  - (b) **Board** means the Board of the GCF;
  - (c) **Committees, Panels and Groups** means any committees, panels and groups established by the Board;
  - (d) **Ethics and Audit Committee** means the committee of the Board established by decision B.05/13, paragraph (e);
  - (e) **Executive Director** means the Executive Director of the GCF Secretariat;
  - (f) **GCF** means the Green Climate Fund;
  - (g) **Governing Instrument** means the Governing Instrument for the GCF;
  - (h) **Information Appeals Panel or IAP** means the panel established by this Policy which reviews denials of requests for information under this Policy;
  - (i) **Policy** means this Information Disclosure Policy;
  - (j) **Secretariat** means the independent Secretariat of the GCF referred to in Section E of the Governing Instrument; and
  - (k) **Trustee** means the trustee of the GCF referred to in paragraph 24 of the Governing Instrument, which includes the interim trustee referred to in paragraph 26 of the Governing Instrument.

### III. Principles

6. This Policy is based on the following principles:
- (a) **Principle 1: Maximize access to information.** The GCF reaffirms its commitment to transparency in all of its activities and therefore seeks to maximize access to any documents and information that it produces and to information in its possession that is not on the list of exceptions as set out in Chapter V of this Policy. Furthermore, so long as the GCF is not legally obligated to confidentiality, information on the list of exceptions will be disclosed in accordance with timelines and procedures specified for that purpose.
  - (b) **Principle 2: Limited exceptions.** Any exceptions to disclosure will be predicated upon the possibility, narrowly and clearly defined, that the potential harm to interests, entities or parties arising from the disclosure of information would outweigh the benefits, that the GCF is legally obligated to non-disclosure or has received information from third parties clearly marked as confidential. The GCF may, in exceptional circumstances, decide not to disclose or delay dissemination of information that would normally be accessible if it determines that the harm that might occur by doing so will outweigh the benefits of access. The GCF may also, in exceptional circumstances, make available to the public information ordinarily excluded from disclosure when it determines that the benefit would outweigh the potential harm, except where the GCF is legally obligated to confidentiality.
  - (c) **Principle 3: Simple and broad access to information.** The GCF will employ all practical means to facilitate access to information, maximize access to such information, and use clear and cost-effective procedures and timelines for processing requests.
  - (d) **Principle 4: Explanations of decisions and right to review.** When denying access to information on request the GCF will provide an explanation for its decision. Requesters who believe they have been denied access to information in violation of this Policy will have the right to have such decision reviewed by the Information Appeals Panel.

### IV. Standard of disclosure

7. The GCF seeks to maximize access to information that it produces and/or possesses and will therefore disclose any information not contained in the list of exceptions set out in Chapter V of this Policy. This Policy is predicated not on a list of information that it chooses to disclose but rather on a clear definition of the information that it will not disclose. The GCF will apply a presumption in favour of disclosure for all information and documents relating to the GCF and its funding activities. All documents in the GCF's possession subject to disclosure as per this Policy, will be released on the GCF's website or through other appropriate means, or will be provided upon request, to provide the public with a clear picture of the GCF's work and the way it administers financial resources received from public, private and other sources.

8. As a matter of principle, the GCF will share the majority of the information in its possession with stakeholders and the public at large, either proactively or upon request, subject to specified exceptions to presumed disclosure. The timing of disclosure of the different types of information may vary, based on the nature of the information as further set out in Section X of this Policy.

## V. Exceptions to presumed disclosure

9. While the GCF is committed to disclosing as much information as possible, the effective functioning of the GCF requires it to protect certain types of information by identifying the harm that disclosure of the relevant information could cause to the interests protected by the exceptions.

10. If a document (or part of it) subject to posting on the GCF's website is not posted because the information contained in the document falls under an exception, the GCF shall make reference to the document or the information removed therefrom, unless citing the document or the removed information would itself violate an exception. If part of the information contained in a document to be provided upon request falls under an exception, such information shall be removed from the document and the requester shall be informed of the reason for such a removal. In such a case where only a portion of a document falls under an exception, the segregable information will be disclosed.

11. The exceptions to the GCF's presumption in favour of disclosure of information are set forth below. The following categories of information/documents will not be accessible because the potential harm caused by their disclosure outweighs the benefit to be derived from accessibility. Subject to paragraphs 12, 13 and 32 below, the Secretariat or, if applicable, the relevant Accountability Unit will determine whether documents or portions thereof will be disclosed:

(a) **Personal information.**

The GCF will not disclose information relating to:

- (i) personal information of any person, including members and alternate members of the Board, advisers, the Executive Director, GCF staff and consultants and other persons connected with the GCF; and
- (ii) Staff appointment and selection processes,  
the disclosure of which would affect the legitimate privacy interest of the person(s) concerned.

(b) **Legal, disciplinary or investigative matters.**

- (i) The GCF will not disclose information subject to legal professional privilege, matters in legal dispute or under negotiation, information relating to any investigation of alleged fraud, corruption or misconduct or disciplinary proceedings, except to the extent specifically permitted by and in accordance with the GCF's rules on such investigations, or any information that, if disclosed, would or would be likely to materially prejudice an investigation or the administration of justice or violate applicable law;
- (ii) The GCF will not disclose information, documents, reports or communications in circumstances where disclosure would violate applicable law or contractual obligations, or could subject the GCF to undue litigation risk; and
- (iii) The GCF will not provide access to or release information relating to proceedings of internal grievance and appeals mechanisms<sup>1</sup> except to the extent expressly permitted under the rules of these mechanisms;

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<sup>1</sup> The internal grievance and appeals mechanisms of the Fund include the Administrative Review and appeals procedures and the Administrative Tribunal which are in the process of being set up at the time of adoption of this Policy.

- (c) **Communications involving members and alternate members of the Board and advisers.** The GCF will not disclose communications between members and alternate members of the Board, advisers and the Secretariat and Accountability Units marked as confidential.
- (d) **Safety and security.** The GCF will not disclose information that would or would be likely to compromise the security, safety or health of GCF staff and their families, consultants, experts and contractors, GCF assets or any other individual;
- (e) **Information provided in confidence.**
- (i) Information provided to the Board, Secretariat or any Accountability Unit in confidence or with restrictions on disclosure, will not be disclosed without the explicit authorization of the provider of such information, such as information covered by a confidentiality agreement or non-disclosure agreement that the GCF had entered into with other parties. This exception should not be applied broadly to an entire document if the document contains specific, segregable portions that can be disclosed without prejudice or harm;
  - (ii) Financial, business or proprietary and non-public information in possession of the GCF and belonging to a party outside the GCF will not be disclosed, without the express permission of such a party; and
  - (iii) The GCF will not disclose information provided to it in confidence, alleging fraud, corruption, or violation of any of the GCF's policies, or misconduct, except to the extent specifically permitted by and in accordance with the applicable rules on investigations, as well as the identity of the party making the allegation, unless such a person consents to the disclosure of his or her identity;
- (f) **Deliberative information.** Deliberative information exchanged, prepared for or derived from the exchanges between the GCF and its accredited entities or third parties as well as information pertaining to the GCF's own internal deliberative processes, will not be disclosed if it would damage the free flow of information and ideas. Therefore; while it will, subject to the exceptions set out in Chapter V of this Policy, make public the agreements or decisions reached at the conclusion of such a deliberative process, it will not provide access to the following information:
- (i) Information (including inter-office or intra-office e-mails, notes, letters, memoranda, draft documents or reports) prepared for or exchanged during the course of its deliberations with accredited entities, countries, other entities or persons with whom the GCF is involved;
  - (ii) Information (including e-mails, notes, letters, memoranda, reports or other documents) prepared for, or exchanged during the course of its own internal deliberations, including those issued or prepared by GCF's staff, consultants, experts, attorneys or agents; and
  - (iii) Studies, audit reports, assessments, evaluations or analyses prepared by or on behalf of the Secretariat to inform the GCF's internal decision-making and assessment processes that include sensitive information;
- (g) **Certain financial information.** The GCF will not provide access to any financial information that, if disclosed, would prejudice the financial or commercial interests of the GCF and any of its activities;
- (h) **Board proceedings.** The GCF will not disclose Board documents including, pre-meeting documents, that are deemed confidential pursuant to this Policy of which distribution

will be limited to members and alternate members of the Board. The GCF will not webcast, or provide video recordings of closed executive sessions of the Board;

- (i) **Information relating to Committees, Panels and Groups; Accountability Units.** Before disclosing any information, the GCF will redact any portion of reports, information, decisions, recommendations or proceedings of any of the Committees, Panels and Groups and Accountability Units, which contains confidential information which, if disclosed, may cause prejudice to the GCF, any persons associated with it or other related parties;
- (j) **Trust Fund reports.** The GCF will not disclose information contained in the reports by the Trustee to the extent that it contains confidential information which, if disclosed, may cause prejudice to the GCF or related parties; and
- (k) **Accreditation.** The name and country of any entity applying for accreditation will be made public on submission of an accreditation recommendation of such an entity to the Board, unless the entity has a reason to keep such information confidential, in which case such information shall be made available once such recommendation has been approved by the Board.

## VI. Overrides

12. As described in paragraph 6 above (Principle 2: Limited exceptions), the GCF may decide to provide access to certain specified types of information normally subject to one of this Policy's exceptions, in extraordinary circumstances, if it determines that the benefit to be derived from doing so would outweigh the potential harm that the application of this Policy might otherwise entail, and so long as the GCF is not legally or otherwise obligated to confidentiality. Any decision to provide access to information via the override would require the Board's concurrence for any Board document, the head of the Accountability units for documents relating to such unit, and the Executive Director's concurrence for any other document produced, commissioned or under the purview of the Secretariat, as well as the written consent of any third party that had provided information to the GCF in confidence for any such information that the GCF wishes to disclose.

13. The GCF also reserves the right not to disclose, by means of a 'negative' override, normally available information if it determines that the potential harm that the application of this Policy might otherwise entail would outweigh the potential benefit of disclosing such information. Any decision to not disclose information via this override would require the Board's concurrence for any Board document, the head of the Accountability units for documents relating to such unit and the Executive Director's concurrence for any other documents produced, commissioned or under the purview of the Secretariat.

## VII. Language of Disclosure

14. English is the working language of the GCF. Ordinarily, documents will be disclosed in the original language; however, any documents the GCF discloses that it considers to be of significant public interest will be published in English on the GCF's website.

## VIII. Implementation aspects of this Policy

### 8.1 Procedures for accessing information

15. **GCF's website.** The GCF routinely discloses a wide range of information and documents through its website - [www.greenclimate.fund](http://www.greenclimate.fund). These include, but are not limited to, decisions of the Board, policy papers and project-related public information that provides details on all types of GCF-funded projects and programmes without duplicating what is to be published by accredited entities and/or executing entities on their websites. Other means of dissemination will be used by the GCF as may be required to reach its intended audiences. The GCF's website may also provide links to the websites of its accredited entities.

16. **Project and programme funding proposals** will be disclosed simultaneously with submission to the Board, subject to the redaction of any information which may not be disclosed pursuant to this Policy. Public disclosure shall be accomplished via posting on the GCF website.

17. **Environmental and social reports.** With respect to project and programme funding proposals that have an environmental or social impact, the Accredited Entities (AE's) shall disclose and announce to the public and, via the Secretariat, to the Board and Active Observers:

- (a) in case of Category A projects, the Environmental and Social Impacts Assessment (ESIA) and an Environmental and Social Management Plan (ESMP) at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier;
- (b) in the case of Category I-1 programmes, the Environmental and Social Management System (ESMS)<sup>2</sup> at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier;
- (c) in the case of Category B projects, the ESIA<sup>3</sup> and an Environmental and Social Management Plan (ESMP)<sup>4</sup> at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier; and
- (d) in the case of Category I-2 programmes, the ESMS at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier.

The reports will be available in both English and the local language (if not English). The reports will be available via electronic links in both the AE's and the GCF's website (in the case of the GCF website, upon submission of a funding proposal to the Board) as well as in locations convenient to affected peoples. Funding proposals relating to projects and programmes that do not have any significant environmental or social impact (i.e. Category C project or Category I-3) shall not require any additional advance information disclosure.

18. **Board proceedings.** Board documents and Board proceedings will be available on the GCF's website, unless such information is not subject to disclosure under paragraph 11. The GCF

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<sup>2</sup> An ESMS is a collection of policies, management processes and procedures that allow analysis, control and reduction of the environmental and social impacts.

<sup>3</sup> ESIA is "Environmental and Social Impact Assessment (ESIA)", a comprehensive document of a project's potential environmental and social risks and impacts which is developed based on key process elements generally consisting of (i) initial screening of the project and scoping of the assessment process; (ii) examination of alternatives; (iii) stakeholder identification (focusing on those directly affected and other stakeholders) and gathering of environmental and social baseline data; (iv) impact identification, prediction, and analysis; (v) generation of mitigation or management measures and actions; (vi) significance of impacts and evaluation of residual impacts; (vii) consultation with and disclosure to project affected people including setting up a grievance mechanism; and (viii) and documenting the assessment process in form of an ESIA report.

<sup>4</sup> ESMP is "Environmental and Social Management Plan", a document prepared either as part of an ESIA or as a separate document accompanying the ESIA describing the process of management of the mitigation measures and actions identified in the ESIA study including the associated responsibility, timeline, costs, and monitoring of key environmental and social indicators, described in the ESMP.

will also webcast live proceedings of the meetings of the Board. The GCF will make video recordings of meetings of the Board, excluding any executive sessions, available on its website, through registration only, within three weeks of each Board meeting.

19. **Public consultation period.** The Board shall continue its practice of soliciting public input for certain policies and strategies under discussion by the Board for at least 30 days through the Fund's website.
20. Information initially not disclosed by the GCF may at some stage be subject to disclosure as its sensitivity diminishes. Accordingly, the GCF will disclose Board documents deemed confidential under paragraph 11 (h) upon request except for information that falls within the exceptions listed in paragraph 11(a-e), after 10 years.
21. Any information concerning GCF-funded projects, programmes, policies, strategies and general operations held by the GCF for more than 20 years from the date such information was produced by, or provided to, the GCF, will be considered historical information. Historical information, other than Board documents, shall be disclosed upon request, except for information that falls with the exceptions listed in paragraph 11(a-e).

## 8.2 Information upon request

22. Anyone may contact the Secretariat to request any document or information which is not accessible on the GCF's website. The Secretariat will entertain external requests for information or documents that are made in writing.

Requests for information may be submitted in writing or via e-mail, as needed, addressed as follows:

- (a) In writing: Green Climate Fund, Disclosure, 175, Art Center-daero, Yeonsu-gu, Incheon 22004, Republic of Korea; or
- (b) Via e-mail: <[disclosure@gcfund.org](mailto:disclosure@gcfund.org)>.

All requests for information are processed by the Secretariat. Requests should indicate with reasonable specificity the information that is being sought to enable the Secretariat, within a reasonable period of time, to locate the information.

23. Requests for information will be submitted in English, which is the working language of the GCF, and the response will be in English.
24. In responding to external queries, the Secretariat will either provide the requested information or document, referring the requester to the relevant link on the GCF's website whenever possible, or a legitimate reason as to why the information cannot be given, based on the exceptions to disclosure defined by the GCF or on the fact that such information does not exist or cannot be found. For information requests that involve the reproduction of material, the GCF may charge a fee, which will be communicated to the requester in advance.

## IX. Timelines for responding to requests

25. The Secretariat shall endeavour to respond to requests for information within 30 working days of receipt of a written request for information, unless additional time is required because of the scope or complexity of the information requested. In its response, the GCF shall either provide the requested information or the reasons why the request has been denied, indicating the particular provision(s) in this Policy that justifies the refusal. The GCF shall post on its website the list of requests reviewed, and the corresponding decisions.

26. The Secretariat may partially or wholly deny a request on the following grounds:
- (a) In accordance with the limitations set out or referred to in this Policy; and
  - (b) If the request is deemed to be an excessive demand on the GCF's resources.
27. The GCF shall not be required to comply with, or respond to, repeated or unreasonable requests for information on the same subject from the same person, organization, or group if the GCF has provided such information after a previous request or has given reasons why it cannot provide information.

## X. Summary of disclosure standards for key GCF documents

Type of document	Time of disclosure	Method of disclosure	Exceptions	Relevant policy paragraphs
Board oral proceedings	Within 3 weeks	Video recording webcasting	Executive session	18, 11(h), 11(a-e)
Reports of Board meetings	Upon adoption by the Board	Posted on website	Executive session	18, 11(h), 11(a-e)
Minutes and deliberative materials from Board executive sessions	10 years	On request	Permanent confidential info	18, 11(h), 11(a-e)
Board Meeting Documents <sup>5</sup>	21 days before Board action	Posted on website	Confidential info under para 11	11(a-j)
Project and programme funding proposals	21 days before Board action	Posted on website	Confidential info under para 11	16, 11(a-g)
Monitoring and Evaluation Reports	Simultaneous with submission to the Board	Posted on the GCF's and Accredited Entities website	n/a	16, 11(a-g)
Environmental reports- required of the accredited entities by the GCF	Category A/I-1 projects: 120 days before the GCF's or the AE's Board date, whichever is earlier Category B/I-2 projects: 30 days before the GCF's or the AE's Board date, whichever is earlier Category C projects/I-3 programmes: no advanced disclosure required	Disclosure by the Accredited Entity via electronic links in the AE's website and convenient locations for affected peoples. The GCF shall disclose such reports in its website. <sup>6</sup>	-	17
Accreditation recommendations	Simultaneous w/submission to Board	Posted on website	If entity requests confidentiality	11(k)
GCF project, programme, financial, strategy, general	20 years	On request	Permanent confidential info	21, 11(a-e)

<sup>5</sup> Board Meeting Documents means documentation not otherwise referred to in this table relating to items on the provisional agenda of any Board meeting, which may include documentation relating to Projects and programs, Monitoring and Evaluation, Policies and Strategies, Operational rules and procedures, Administrative and Financial Information, Accountability and governance.

<sup>6</sup> In the case of the GCF website, disclosure of the relevant information shall be made at the time of submission of the relevant funding proposal to the Board.

operations (historical) information				
Personal, investigative, Board-GCF, safety/security, and third-party confidential information	At no time (so long as a basis for confidentiality exists)	n/a	n/a	11(a-e)
GCF non-historical financial, Board confidential committee/group/panel, and Trust Fund information	At no time (so long as a basis for confidentiality exists)	n/a	n/a	11(g, i-j)

## **XI. Appeal mechanism**

28. The Board will establish an Information Appeals Panel (IAP) to consider appeals under this Policy. The IAP shall be composed of the three heads of the Accountability Units. The IAP Chair will be selected from amongst, and by, the IAP members. If the appeal relates to information not disclosed by an Accountability Unit, the head of such unit shall recuse him/herself from the deliberations and decision making.

29. A requester who is denied access to information may file an appeal if the requester is able to:

- (a) Establish a prima facie case that the GCF has violated this Policy by restricting access to the information requested; or
- (b) Make a case to overturn an override of this Policy that restricts access to the information requested.

30. Such appeals will be considered by the Information Appeals Panel which will be authorized to receive requests for review from parties outside the GCF and to recommend to uphold or reverse prior decisions to deny access to information. In order to ensure that the appeal is considered in a non-biased and fair manner, no member of the IAP shall have been involved in the original decision to deny access to information.

31. The IAP will convene as needed to review requests for information that have been denied. The IAP will endeavour to respond to the requester within 30 working days of receipt of the appeal, unless additional time is required due to its scope or complexity.

32. The IAP has the authority to recommend to the Board in respect of appeals regarding Board documents, to the head of the relevant Accountability Unit for documents relating to such unit and to the Executive Director in respect of all other documents to uphold or reverse decisions to deny access to information.

33. Any recommendation to disclose information will require the approval of the EAC for Board documents, the head of the relevant Accountability Unit for documents relating to such unit and of the Executive Director for other documents; and their decisions will be final.

34. The IAP shall notify the requester of the decision in writing as soon as a decision is made and no later than 30 working days after receiving the appeal (subject to para. 37 below), and in the case of a decision by the EAC the requester shall be notified upon the EAC's decision.

## **XII. Submission of appeals and notification of decisions**

35. An appeal to the IAP may be filed in writing within 60 calendar days of notification of the denial of information.
36. Appeals must be submitted via e-mail to <[IAP@gcfund.org](mailto:IAP@gcfund.org)> addressed to the Information Appeals Panel or in writing addressed to Green Climate Fund Information Appeals Panel at 175, Art Center-daero, Yeonsu-gu, Incheon 22004, Republic of Korea.
37. Appeals received beyond the 60-day filing period shall be deemed to have exceeded the deadline and shall not be considered. All appeals should be set out in a brief letter and contain the following:
- (a) A description of the information originally requested; and
  - (b) An explanatory statement that sets out the facts and the grounds that support the requester's claim that the GCF violated this Policy or that the public interest override applies.

## **XIII. Effective date**

38. The provisions of this Policy will take effect on [XX] [month] 2016 and supersede the interim information disclosure practice, as contained in Annex XX to decision B.05/15, in its entirety.

## **XIV. Miscellaneous**

39. Information disclosed under this Policy is provided as is. The GCF will take all reasonable steps to conspicuously disclaim any loss or liability, either directly or indirectly as a consequence of using the disclosed information.
40. Nothing in this Policy shall be deemed to derogate from any of the provisions in the Agreement between the Republic of Korea and the GCF Concerning the Headquarters of the GCF or any other agreement that has been or may be entered into between the GCF and a Party to the United Nations Framework Convention on Climate Change.

## **XV. Report and review**

41. Every three years the Ethics and Audit Committee, with the support of the Secretariat, will present a report to the Board on issues related to the implementation of this Policy along with any recommendations for changes to it. Such reports will take into account new information access standards or policies developed and implemented by peer institutions and partners regarding the range of their activities.

## Annex XXX: Terms of reference of the Budget Committee

1. The mandate of the Budget Committee is to review and make recommendations to the Board on the preparation and implementation of the Administrative Budget of the Fund. The Committee will also review the annual work programme of the Secretariat and proposed annual budget of the Fund, in accordance with paragraphs provisions 18 (j) and 23(e) of the Governing Instrument.

### I. Role and functions

2. The role of the Budget Committee is to review and make recommendations to the Board on matters related to the administrative budget of the GCF.

3. In fulfilling this role, the Budget Committee will:

- (a) Review and make recommendations on the Fund's proposed annual administrative budget, including the budget implications of the annual presentation of the staffing structure and changes to the Human Resources (HR) policy guidelines;
- (b) Review and make recommendations on the execution of the annual expenditures of the administrative budget;
- (c) Review and make recommendations on financial reports and related documents submitted by the Interim Trustee of the GCF and the Permanent Trustee of the GCF, when appointed;
- (d) Cooperate with the Ethics and Audit Committee in relation to the annual audits of the GCF; and
- (e) Consider any other matters related to the administrative budget of the GCF as referred to the Committee by the Board.

### II. Membership

4. The Budget Committee will comprise:

- (a) Three developing country Board members or alternate Board members; and
  - (b) Three developed country Board members or alternate Board members.
5. The Chief Finance Officer will serve on the Committee as an ex officio member.
6. The Committee will be assisted by the Secretariat.
7. Members of the Committee will serve for a term of three years.

### III. Duration

8. The Budget Committee will be a standing committee of the Board.

9. Three years following its establishment, the Board will evaluate the TOR of the Budget Committee.

### IV. Guidelines of operations

10. Provisions will be put in place to manage actual and potential conflicts of interests.