



GREEN  
CLIMATE  
FUND

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# Report of the fifteenth meeting of the Board, 13-15 December 2016

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**GCF/B.15/25**

3 April 2017

**Meeting of the Board**  
13-15 December 2016  
Apia, Samoa  
Agenda item 26

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## Report of the fifteenth meeting of the Board, 13-15 December 2016

### Agenda item 1: Opening of the meeting

1. The Co-Chairs officially opened the fifteenth meeting of the Board (B.15) at 9:34 a.m. on Tuesday, 13 December 2016, in Apia, Samoa.
2. Prior to this, a ceremony was hosted by the Government of Samoa at which the Prime Minister, Mr. Tuilaepa Sailele Malielegaoi, delivered opening remarks and Reverend Maauga Motu led prayers. The Prime Minister noted that holding the Board meeting in the Pacific region provided an opportunity for members of the Board (hereinafter referred to as Board members) to experience the realities and challenges facing small island developing States (SIDS) in addressing the often intertwined issues of climate change and development.
3. During prayers Reverend Motu underlined that, in the context of the enormous challenges facing the world in terms of climate change, it was one thing to be concerned about those affected but it was taking appropriate action which was most important.
4. On behalf of the Board and fellow Co-Chair, Mr. Zaheer Fakir, Mr. Ewen McDonald expressed his appreciation for the tremendous work done by the Government of Samoa in preparing for the Board meeting, co-hosted by the Government of Australia. He echoed the messages from Reverend Motu that concerns meant nothing unless they were accompanied by actions and that was a challenge for Board members collectively. He also congratulated Mr. Malielegaoi, now in his nineteenth year as the nation's leader, on the release of the government's strategic plan earlier that day.
5. Mr. McDonald noted that valuable discussions had been held with the Prime Minister of Samoa, the Deputy Prime Minister of Tonga and the Minister of Finance of Samoa. He expressed thanks to the Government of Samoa for the excellent reception at the Robert Louis Stevenson Museum on the evening of 12 December. He particularly acknowledged the work of the Associate Minister from the Ministry of the Prime Minister and Cabinet, Ms. Peseta Vaifou Tevaga and her team in the Ministry of Foreign Affairs and Trade, in preparing for the meeting. Mr. McDonald expressed thanks to Ms. Mary Kim of the Australian Co-Chair advisory team and to Ms. Sally Truong, the alternate member of the Board (hereinafter referred to as alternate member) for Australia.
6. Mr. McDonald underlined how valuable the site visit to the Vaisigano catchment area had been the previous day to see the work being undertaken since the devastation of Hurricane Evan in 2012. He also acknowledged the tireless commitment of the Board member from Samoa, Mr. Aliioaiga Feturi Elisaia, since the Transitional Committee of the Green Climate Fund in 2011, on behalf of the Pacific nations and the entire world.
7. He welcomed the following new Board members and alternates: Mr. Mikio Mori, Board member from Japan, Mr. Yang Weifeng from the People's Republic of China and Mr. Ignacio Lorenzo, alternate Board member from Uruguay.
8. Mr. McDonald underlined the significance of 2016 for the GCF and highlighted a number of achievements. These included approving significant volumes of funding, expanding the range of GCF-accredited delivery partners, the signing of accreditation master agreements (AMAs), the adoption of a strategic plan, the selection of a new Executive Director and the rapid expansion of Secretariat staff. In addition, there had been considerable progress on readiness funding and policies to support national adaptation plans. Finally, he highlighted excellent progress made by the Board in working effectively together, while recognizing there was still more to be done.

9. The developing country Co-Chair, Mr. Fakir, echoed the remarks of Mr. McDonald and noted a Samoan proverb which stated that fishing nets become knotted at night but were untangled during the day. In the context of the GCF, many matters become tangled outside the Board and it was the job of the Board to untangle them by finding solutions so that the GCF could meet its mandate. Mr. Fakir encouraged Board members to contribute in this spirit so as to ensure a very productive fifteenth meeting of the Board.

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

10. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/01.Drf.02 titled "Provisional agenda". They informed the Board that agenda items 5(b), 8, 9 and 10 had been reordered. These items would be deferred until 14 December; while sub-items 14(a) and (d) would be dealt with on 13 December. An updated agenda would be distributed.

11. The Board were invited to adopt the provisional agenda with these amendments.

12. There being no objections the agenda and organization of work was duly adopted as set forth in document GCF/B.15/01/Drf.02:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of the fourteenth meeting of the Board
4. Decisions proposed and approved between the fourteenth and fifteenth meetings of the Board
5. Report on the activities of the Co-Chairs
  - (a) Report on the activities of the Co-Chairs, including outcomes of the Co-Chairs' consultations
  - (b) Implementation of the Work Plan of the Board for 2016
6. Report on the activities of the Secretariat
7. Reports from committees, panels and groups
8. Implementation of the Strategic Plan
9. Draft Work Plan of the Board for 2017
10. Guidance from the twenty-second session of the Conference of the Parties (COP 22): Co-Chairs' proposal
11. Progress report on support for REDD-plus
12. Country programming and readiness
  - (a) Progress report on the readiness and preparatory support programme
  - (b) Country and accredited entity programmes
  - (c) Country ownership guidelines
13. Terms of reference for the annual review of the financial terms and conditions of the Green Climate Fund's financial instruments
14. Matters related to funding proposals

- (a) Status of the Fund's portfolio: pipeline and approved projects
  - (b) Review of the initial proposal approval process
  - (c) Operational guidelines for the simplified proposal approval process
  - (d) Consideration of funding proposals, including from the micro-, small- and medium-sized enterprises pilot programme
15. Staffing of the Secretariat
  16. Status of resources from the Initial Resource Mobilization
  17. Competitive process for the selection of the permanent Trustee
  18. Policies on the formal replenishment process
  19. Matters related to accreditation
    - (a) Consideration of accreditation proposals
    - (b) Accreditation master agreements
  20. Approval of the performance criteria and measurement procedures for the Executive Director of the Secretariat
  21. Approval of the work plans and budgets of the independent accountability units
    - (a) Independent Redress Mechanism
    - (b) Independent Integrity Unit
  22. Administrative matters
    - (a) Report on the execution of the administrative budget for 2016
    - (b) Administrative budget and work programme of the Secretariat for 2017
    - (c) Options for operationalization of the Administrative Tribunal
  23. Election of Co-Chairs
  24. Dates and venues of the following meetings of the Board
  25. Other matters
  26. Report of the meeting
  27. Close of the meeting

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

28. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.14/18 titled "Report of the fourteenth meeting of the Board, 12-14 October 2016".
29. There being no objections, the report was duly adopted.

### **Agenda item 4: Decisions proposed and approved between the fourteenth and fifteenth meetings of the Board**

30. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/Inf.02 titled "Decisions taken between the fourteenth and fifteenth meetings of the

Board”. As at 22 November 2016, the following decisions were approved between meetings on a no-objection basis as detailed in the document:

- (a) “Annual dialogue with climate finance delivery channels”; and
- (b) “Remuneration for the Executive Director of the Secretariat of the Green Climate Fund”.

31. The Co-Chairs informed the Board that since the publication of the document, the between-meetings decision “Appointment of a member to the Private Sector Advisory Group of the Board”, which was transmitted to the Board as document GCF/B.BM-2016/18 on 5 December 2016, had been deemed approved after the no-objection period on 12 December 2016.

32. There being no further comments, the Board duly noted document GCF/B.15/Inf.02.

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

### **(a) Report on the activities of the Co-Chairs, including outcomes of the Co-Chairs’ consultations**

33. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.15/02, titled “Report on the activities of the Co-Chairs”, outlining the activities undertaken by the Co-Chairs since the fourteenth meeting of the Board (B.14), including participation at the twenty-second session of the Conference of the Parties (COP 22) to the United Nations Framework Convention on Climate Change (UNFCCC) in Marrakech, Morocco.

34. There being no comments, the Board took note of the report.

35. Subsequently, a Board member wished to raise a matter which it had not been possible to raise earlier as the agenda item proceeded very quickly. They noted that the draft decision in annex I to document GCF/B.15/02 referred to the development of an Indigenous peoples’ policy. The Board member stated that this would fill an important policy gap as indigenous peoples were important stakeholders. However, the draft decision did not contain a deadline for submissions in relation to this policy and said Board member proposed that this should be the sixteenth meeting of the Board (B.16).

36. The Co-Chairs asked if this amendment to paragraph (b) of the draft decision (annex I to document GCF/B.15/02) was acceptable. There being no objection the amendment was duly noted.

37. Another Board member, while underlining the importance of this, wished to note that it was not the Board’s role to develop new material on the matter. This subject had been the focus of a United Nations conference approximately a year ago. Said Board member reminded the Board that United Nations conventions were not revised every one or two years. Instead, the Board should use appropriate United Nations policies to guide it and leave the revisions of GCF policies for a longer period of time such as four or five years. This would ensure that the Board focused on the key issues for the GCF.

38. Building on this intervention, another Board member raised a question on the linkages between an Indigenous peoples’ policy and the environmental and social management system (ESMS) currently under development by the Secretariat, and whether such a policy would play an integral part in the ESMS. Another Board member suggested there was perhaps a need for further discussion on this matter.

39. The Co-Chairs requested that Board members raise any concerns and include suggestions on the Indigenous peoples’ policy, as part of their submissions on the ESMS, to be sent to the Secretariat by B.16 in accordance with decision B.15/01, paragraph (b).

40. The Board took note of document GCF/B.15/02.
41. The Board adopted the following decision:

### ***DECISION B.15/01***

*The Board, having reviewed document GCF/B.15/02 titled "Report on the activities of the Co-Chairs":*

- (a) *Requests the Secretariat to prepare for consideration by the Board, at its seventeenth meeting, a fund-wide Indigenous peoples' policy; and*
- (b) *Invites submissions from the members and alternate members of the Board, and observer organizations in relation to the development of the GCF Indigenous peoples' policy by the sixteenth meeting of the Board.*

### **(b) Implementation of the Work Plan of the Board for 2016**

42. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.15/05 titled "Implementation of the 2016 work plan: status of Co-Chairs' consultations". The elements contained in the report related to the following mandates:

- (a) A standing committee on appointments, staffing and performance evaluations;
- (b) Decision-making in the absence of consensus;
- (c) Guidelines to determine in which cases decisions may be taken without a Board meeting;
- (d) The Travel policy; and
- (e) The policy for programmatic approaches.

43. They noted that some progress had been made on all five mandates but that it had not been possible to conclude them. Regarding the mandates in paragraph 42(b), (c) and (e) above, the latest draft of consultation documents is annexed to document GCF/B.15/05 for the Board to consider.

44. Finally, they proposed a draft decision to extend the mandate for consultations into 2017 to be included in the work plan for 2017.

45. A Board member expressed thanks to the Co-Chairs for their hard work noting that this was the fifth meeting of the year, during which much had been delivered. They particularly welcomed the very active support from advisers working with the Secretariat. They asked if it was the intention for this to be institutionalized under the new Co-Chairs once they had been elected. It would be useful for the Secretariat to have a clear idea of the modus operandi of the Co-Chairs in order to guide their work.

46. The Co-Chairs stated that this had been noted and that it would be covered under agenda item 23, "Election of Co-Chairs", later in the meeting. In the meantime, the Co-Chairs would discuss this and come back with a proposed approach.

47. There being no further comments, the Board took note of document GCF/B.15/05.

48. The Board adopted the following decision:

### ***DECISION B.15/02***

*The Board, having considered document GCF/B.15/05 titled “Implementation of the 2016 work plan: status of Co-Chairs’ consultations”:*

- (a) *Decides to extend consultations on the mandates given to the Co-Chairs as contained in decisions B.12/08, B.12/11–13, B.13/05 and B.14/07; 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 at each meeting, in line with the Rules of Procedure of the Board.*

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

49. The Co-Chairs opened the agenda item and introduced document GCF/B.15/Inf.04 titled “Report on the activities of the Secretariat”, which informed the Board on progress related to mandates given to the Secretariat from the first meeting of the Board in August 2012, to the fifteenth meeting of the Board in December 2016.

50. They invited the Executive Director ad interim, Mr. Javier Manzanares, to address the Board.

51. The Executive Director ad interim provided an overview of recent activities undertaken, including attending COP 22 in Marrakech where the Secretariat team had supported the Co-Chairs at several meetings and high-level events as well as contributing as panellists. They had held valuable meetings with Prime Ministers, Ministers, contributors and others. Mr. Manzanares highlighted the Latin American Workshop held in Honduras from 28 to 30 November attended by representatives of 17 countries along with accredited entities (AEs), civil society organizations (CSOs) and other partners, with a total of more than 80 participants. The Executive Director ad interim had also attended the Budapest Water Summit 2016 from 28 to 30 November. Meetings had been held with the Ministry of Strategy and Finance of the Republic of Korea and the Ministry of Foreign Affairs of the Republic of Korea. Important progress had been made with the Ministry of Foreign Affairs on multi-year visas for Board members, alternate members, and advisers to Board members. Finally, Mr. Manzanares informed the Board that the Secretariat had been providing a monthly report on its activities to the Board since October 2016. The aim was to ensure that members of the Board and their advisers would not have to wait for each Board meeting for updates.

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

53. Board members provided comments around several themes: the work of the Government of Samoa in preparing for B.15 in Apia; the Latin America Workshop; the Pacific Regional Workshop; the role of regional advisers; Board meeting documentation; the GCF website; communication with national designated authorities (NDAs); Secretariat reporting and Secretariat travel.

54. Many Board members used the opportunity of this first agenda item following the formal opening of the meeting to express sincere thanks to the Government of Samoa and to the Board member from Samoa, Ambassador Elisaia, for successfully organizing the fifteenth meeting of the Board, for the excellent facilities provided and for the beautiful welcome. They also thanked the Government of Australia for co-hosting the meeting. One Board member noted that the invitation by Amb. Elisaia to the Board to hold its fifteenth meeting in Samoa provided an opportunity for Board members to see at first hand a country where the natural equilibrium still existed; where the pristine remained pristine; where the faces of people showed contentment and optimism. This should be an important lesson for everyone attending the meeting and they expressed the desire for this spirit to be maintained throughout the meeting. They also expressed thanks to the Australian team for facilitating their visa. Board members

also noted their appreciation to the Secretariat for organising and facilitating the Board meeting. (Those Board members who did not make interventions under this item also expressed their sincere thanks to the governments of Samoa and Australia during subsequent agenda items.)

55. Two Board members wished to express their appreciation to the Secretariat and regional organizers for the content and format of the Latin America Workshop held in November 2016, which had been organized at short notice. The workshop had been a very useful exercise and demonstrated that more steps needed to be taken to enable countries in the region to access GCF resources. They also thanked the Central American Bank for Economic Integration (CABEI) for its support. In particular, they commended the excellent support from the GCF Latin America Regional Advisor, Ms. Carmen Arguello. A Board member also expressed thanks to Mr. Eduardo Freitas, the Secretariat's Country Dialogue Specialist.

56. The Board member from Samoa expressed thanks to all participants attending the meeting in Apia. Said Board member also thanked the Secretariat for organizing the regional workshop in the Pacific, which allowed all stakeholders, including high-level representatives such as the heads of states and ministers along with AEs, NDAs and civil society to engage in conversations on the GCF. This was an excellent way of getting messages to the region's leaders to galvanize them into action. A positive outcome of the workshop was that it allowed Pacific SIDS to focus on their climate portfolio projects. They also commended the GCF Pacific Regional Advisor, Ms. Coral Pasisi.

57. Another Board member raised a series of specific questions on the activities of the regional advisers: did they have clear schedules of work? How did they conduct their business? What was their employment status? What were their linkages with NDAs? To whom did they report within the Secretariat structure? The Co-Chairs proposed that this issue be addressed under agenda sub-item 12(a), "Progress report on the readiness and preparatory support programme".

58. Regarding Board meeting documentation, several Board members expressed concern at the particularly late delivery of B.15 documents, the length and complexity of documents, which in some cases were subsequently revised, and more generally the increasing number of documents. One Board member stated that the Board were still being requested to take decisions very soon after receiving documents. In the context of documentation, said Board member also stated that it was too early to proceed with the revisions of terms and conditions for loans.

59. With reference to the Secretariat initiative to provide a monthly report on the activities of the Secretariat, one Board member stated that this was welcome but perhaps just as an interim measure, given the need to reduce paperwork. Over the past year they observed that Board members and their advisers had had to read 4,100 pages of documents. Another Board member stated that they had not received the monthly report, and asked what it covered. While there were clearly some issues of lateness of document delivery, another Board member expressed appreciation to the Secretariat for what was a massive task; although there were shortcomings, they were not major.

60. The Co-Chairs noted the comments from Board members regarding the difficulties of late documentation and stated that going forward the new Co-Chairs and the Secretariat would work to improve on prompt document delivery.

61. Regarding the GCF website, a Board member stated that they did not find it user-friendly. Said Board member asked that the Board request the Secretariat to improve it by B.16, if necessary putting such a request in the decision on this agenda item. In the context of feedback received during the Honduras workshop, another Board member stated that participants raised difficulties in their relationship with the GCF, including the GCF website

which some found hard to navigate and was not as user-friendly as it should be. They requested that the Secretariat look at the United Nations and World Trade Organization websites. In terms of communication between the Secretariat and NDAs, said Board member stated that some participants had expressed concern at slow replies from the Secretariat and on occasions, different replies from different Secretariat staff.

62. With respect to Secretariat travel, a Board member raised a concern on the frequent travel of the Secretariat and asked why there was no report on this. They also questioned whether the reporting of outcomes was done after each mission and if the missions were aligned to the objectives of the Secretariat. In the context of Secretariat travel, they stated that they received requests and complaints from their constituents regarding slow responses from the Secretariat, and when these came they were unsatisfactory. Another Board member supported the request that the Secretariat provide reports of outcomes of staff travel.

63. The Co-Chairs asked that the Secretariat take action to address the matters raised during the presentation of this report, and report back on the actions it had taken to address these matters at the first meeting in 2017.

64. The Board took note of document GCF/B.15/Inf.04.

## **Agenda item 7: Reports from committees, panels and groups**

65. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/Inf.05 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund”. They informed the Board that the document contained the reports on the activities of the following committees and panels of the Board, covering the reporting period of October to early December 2016:

- (a) Accreditation Committee;
- (b) Accreditation Panel;
- (c) Ethics and Audit Committee;
- (d) Investment Committee;
- (e) Independent Technical Advisory Panel (TAP);
- (f) Risk Management Committee; and
- (g) Budget Committee.

66. They noted that other committees, panels and groups may report orally to the Board during B.15 and opened the floor for comments.

67. A Board member highlighted several points:

- (a) They noted the intention of the Investment Committee to bring back indicative minimum benchmarks for the seventeenth meeting of the Board (B.17). This was an important step in providing guidance to the TAP and could help to streamline decision-making processes;
- (b) Regarding the TAP report, they expressed concern that the TAP was being asked to look at more and more projects and given less and less time to do this work. The Board relied on the TAP and very much appreciated its work. It was essential that the Board adjusted its timelines to allow the TAP to do its work effectively;
- (c) From the same report, they noted that several AEs had withdrawn their proposals. Said Board member suggested that this was a better approach than the Board approving

projects with many conditions attached and it was important for other AEs to follow this example; and

- (d) Finally, they highlighted that the Budget Committee was analysing the cost of providing support to civil society. This was an important strategic step in helping to ensure that the Board received quality proposals and could mirror the Global Environment Facility (GEF) which was sponsoring active support for civil society. They asked the Co-Chairs to bear this in mind and add appropriate text to the decision on the administrative budget for B.17 to be discussed later in the meeting (agenda sub-item 22(b)) so the Secretariat would be able to cover some of the costs of civil society.

68. Another Board member expressed support for the new process to talk to AEs before proposals were presented to the Board. However, they noted time constraints and wondered how this could be made more efficient.

69. The Co-Chairs stated that these comments would be reflected in the report of the meeting.

70. The Board duly noted document GCF/B.15/Inf.05.

## **Agenda item 8: Implementation of the Strategic Plan**

71. The Co-Chairs opened the agenda item and reminded Board members that at B.14 a Board member had requested that for future meetings, the matter of the implementation of the initial strategic plan be addressed as a standing Board agenda item.

72. Given the short timeframe between B.14 and B.15, it had not been possible to conclude work on a report on this agenda item. They noted that B.16 would mark the first anniversary of the adoption of the plan. In this regard, they proposed that the Secretariat be requested to present a comprehensive status report on the implementation of the plan for consideration by the Board at B.16.

73. This proposal was approved by the Board and the item was closed.

## **Agenda item 9: Draft Work Plan of the Board for 2017**

74. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/03 titled "Work plan of the Board for 2017: proposal from the Co-Chairs".

75. The Co-Chairs explained that, in accordance with previous practice, they would take stock of decisions taken at the current meeting and in consultation with the Secretariat, incorporate them into the work plan following each Board meeting. On that basis, they invited the Board to adopt the draft decision contained in the document.

### **Requests for amendments to the work plan**

76. A Board member stated their opposition to the proposed deferral of the review of the GCF Gender policy and Gender action plan to the eighteenth meeting of the Board (B.18). They underlined that their constituency had already agreed to the deferral of that item from B.14 to B.16 and expressed concern at the impression a repeated deferral could convey to the international community about the priorities of the GCF. Another Board member acknowledged that the item on gender should not be deferred indefinitely, but noted the need to address a number of other items in advance of the item on gender. A third Board member agreed that the review of the GCF Gender policy should not be deferred, but outlined the need to ensure that

such a review was fit-for-purpose. A fourth Board member recalled that the Gender policy had only been adopted around a year or so earlier and it was not realistic to review such policies at such an early stage. They highlighted that international instruments on gender already existed and the role of the GCF was not to develop new standards but to determine which parts of the existing international standards were applicable to its work.

77. A Board member underlined the need for the GCF to ensure that its assets were placed in non-fossil fuel investments and requested that the Co-Chairs include an item on the investment plan of the GCF for consideration at B.16.

78. A Board member proposed that the item on philanthropic contributions should be deferred.

79. Two Board members called for a continuation of the discussions that had begun at B.14 on the accreditation strategy, so as to maintain momentum.

80. One Board member recalled that decision B.15/01 on developing a GCF Indigenous peoples' policy had been adopted the previous day but appeared not to have been incorporated.

81. Several Board members highlighted the need for increased efforts on private sector engagement and outreach, including renewed momentum behind the Private Sector Facility. More specifically, one Board member proposed to shift the consideration of a private sector outreach plan to B.17 so that it would be considered together with the Private Sector Advisory Group (PSAG) recommendations on barriers to crowding-in and maximizing the engagement of the private sector. Another Board member also requested that the item concerning the development of a private sector outreach plan should not be deferred to B.18. However, following subsequent consultation with members of the PSAG on the topic, the Board member announced the withdrawal of that request.

82. A Board member asked the Co-Chairs whether guidance from the Conference of the Parties (COP) should be included in the 2017 work plan. The Co-Chairs recalled their earlier statement that items considered at the current meeting, including guidance from the COP, would be incorporated into the revised work plan based on the decisions emerging from the Board discussions.

### **Priorities of the GCF**

83. One Board member outlined a number of strategic priorities, which had a bearing on how the GCF was seen by the outside world and how its actions were viewed in the context of political developments, as follows:

- (a) In order to improve the pipeline of projects and programmes, a clearer definition was needed of the sort of projects the GCF was willing to support. Furthermore, a more explicit definition of the role of the GCF in relation to other funds was required, and therefore priority should be given to: (1) the updating of risk policies and guidelines; (2) the overarching operational framework on complementarity and coherence; (3) the definition of indicative minimum benchmarks; and (4) the development of the GCF communications strategy;
- (b) There was need to improve the ability of the GCF to operate at scale; to achieve that, there needed to be a focus on programmatic approaches, private sector engagement and REDD-plus;
- (c) The GCF should act more efficiently and effectively: this embraced a number of matters, including the simplified approval process (SAP) and the review of the proposal approval process, improved operational governance to clarify who was responsible for which

tasks, establishing a process for decision-making in the absence of consensus, and the recruitment of additional staff to the Secretariat; and

- (d) There was a need to identify policy gaps. This included a clear definition of terms such as 'transformational change', 'paradigm shift' and 'additionality'; the assessment of the climate value of projects so it became a trademark of the GCF; the sustainability of GCF projects; and clarity on the expectations of the GCF for co-financing.

84. In the view of the aforementioned Board member, only by focusing on those strategic priorities could the GCF make a significant contribution to implementing the Paris Agreement.

85. One Board member said that the work plan should be geared towards implementing a strategic vision for the GCF, rather than being lists of outstanding items to be addressed at Board meetings. Another proposed that the Board should take a longer term strategic view, for example by developing a form of 'business plan' that would stretch over two or three years rather than just one year.

86. Drawing attention to the length of time that had been spent discussing the funding proposals under consideration at the current meeting, a Board member stressed the need to develop a strategy to enable the Board to cope with the larger volume of proposals that could be envisaged in future.

87. Two Board members stressed the need for the GCF to make progress on its accreditation strategy, including by determining how concessionality should be applied to different categories of projects or countries.

88. Three Board members noted the heavy workload of the proposed work plan for 2017.

89. One recalled that the Board had been unable to complete its work plan for the current year, despite having held four official Board meetings and one informal Board meeting in 2016, and therefore suggested increasing the number or duration of meetings to be held in 2017.

90. A number of Board members expressed support for the proposed work plan and acknowledged that the deferral of certain items was unavoidable since it would be impossible for the work plan to respond precisely to the various priorities of each different Board member.

91. A CSO active observer expressed satisfaction at the inclusion in the proposed work plan of long-overdue work on environmental and social policies and safeguards, in particular a request for proposals for REDD-plus, results-based payments for REDD-plus and the establishment of an Independent Redress Mechanism. The observer emphasized the need for the GCF to protect the livelihoods of indigenous peoples, particularly in view of the increasing number of GCF-supported projects that were due to be implemented within indigenous peoples' territories, and requested the Board to include in the 2017 work plan an item on establishing a GCF policy on indigenous peoples. They also requested clarification that the work on the ESMS would result in the launching of a comprehensive participatory consultative process to begin developing the GCF environmental and social safeguards. The observer stressed the imminent need for a thorough and comprehensive review of the GCF Gender policy and Gender action plan and expressed support for the proposal by a Board member to include an investment policy on the 2017 work plan so as to explicitly prohibit the investment of any part of the Green Climate Fund Trust Fund in fossil-fuel investments.

### **Discussion on the adoption of the work plan**

92. The Co-Chairs acknowledged the various priorities expressed by Board members but underlined that the work plan would never be able to simultaneously reflect the individual priorities of every different Board member. It also had to take account of the capacity of the Secretariat. They recalled the themes raised during the Board's retreat on 12 December,

including capacity, consistency, clarity, quality of proposals, simplification, standards and the uniqueness of the GCF. While the Board could spend time at the current meeting attempting to reorganize the items in the work plan, that could be a time-consuming process. The Co-Chairs recalled that the work plan was a living document, driven by the vision within the strategic plan, and that each point raised by Board members was recorded in the official report of the meeting. These points would be considered by the Co-Chairs with a view to periodically revising the work plan as the year progressed. On that basis, the Co-Chairs invited the Board to adopt the work plan as contained in the document.

93. One Board member, while acknowledging the comments made by the Co-Chairs, reaffirmed their opposition to the adoption of the work plan in its current form.

94. Another Board member said that certain proposals for amendments to the work plan, such as the proposal to increase the number and duration of Board meetings in 2017, could have planning and financial implications and should therefore be agreed upon before the work plan was adopted.

95. One Board member proposed that if the practice of informal days before the formal Board meeting continued in 2017, the Board should move towards a thematic approach, which would ensure the Board remained focused on its core mandate to approve projects. An initial theme could be the standardization of criteria for the approval of funding proposals. It was suggested that this be included in the draft decision and then this could be taken up in an informal meeting in early 2017.

96. The Co-Chairs reiterated that the points raised by Board members would be recorded in the official report of the meeting and proposed either to adopt the work plan in its current form or to postpone the adoption of the work plan until the following meeting. On that basis, they invited the Board to adopt the draft decision.

97. One Board member again opposed the adoption of the draft decision on the work plan.

98. The Co-Chairs stated that since there was no consensus there was therefore no 2017 Board work plan. They would ask the incoming Co-Chairs to present a revised work plan at the first Board meeting in 2017.

99. The Board took note of document GCF/B.15/03.

100. At a later point in the meeting, a Board member again raised the issue of the work plan and a discussion ensued as to whether or not the agenda item should be reopened. One Board member expressed concern that the Board's failure to adopt a work plan at the current meeting could damage the reputation of the GCF, and another highlighted that the work plan was necessary to provide guidance to the incoming Executive Director and Co-Chairs for their work in the early part of 2017. It was suggested that the Board should find a way to resolve the differing viewpoints among Board members before adopting the work plan. In contrast, one Board member underlined that the agenda item had already been closed and expressed concern that reopening the item could set a worrying precedent, recalling that if Board members wished to oppose Board decisions, they must bear the responsibility for their actions.

101. The Co-Chairs did not reopen the agenda item.

## **Agenda item 10: Guidance from the twenty-second session of the Conference of the Parties (COP 22): Co-Chairs' proposal**

102. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/04, titled “Guidance from the twenty-second session of the Conference of the Parties: Co-Chairs’ proposal”.

103. They invited the Board to adopt the draft decision contained in the annex to the document and opened the floor for comments and questions.

104. A Board member noted, as a procedural matter, that certain elements of information were missing from the summary table contained in the document, notably paragraphs 8 and 9 of UNFCCC decision X/CP.22,<sup>1</sup> titled “Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund”. They requested that, in future, such summaries should include all elements of the guidance received from the COP.

105. The same Board member also proposed the insertion of a clause into paragraph (g) of the draft decision to reflect the current need for the Secretariat to focus on its urgent legal priorities, in particular the signing of AMAs, so as to enable the disbursement of project funds. The amended version of paragraph (g) would thus read, “Requests the Secretariat to *continue to pursue, where appropriate and where such efforts would not detract from its core mission to accelerate project implementation, its efforts to negotiate and sign...*” (amendments in italic).

106. The Co-Chairs took note of the request and drew attention to the fact that delays in project implementation were also ultimately resulting from delays in the establishment of arrangements on privileges and immunities, which were in turn delaying the release of readiness funds.

107. One Board member wished to know whether the Board member requesting the amendment was proposing that agreements on privileges and immunities should be a prerequisite for engagement with recipient countries or other parties. The Board member requesting the amendment confirmed that the proposed insertion would not entail the imposition of any form of preconditions and was intended merely to clarify the priorities of the Secretariat.

108. Two Board members expressed their opposition to the proposed amendment. One questioned the value of such an amendment and highlighted the risk that the proposed wording could be misinterpreted which might encourage the Secretariat to set aside negotiations on privileges and immunities on certain occasions on the basis that such issues were distracting it from its core mission of accelerating project implementation. The other highlighted that over USD 1 million of the Secretariat’s administrative budget was already dedicated to its legal capacity and questioned whether delays in project implementation might be the result of other issues rather than the capacity of the Secretariat, noting that the existence of any obstacle throughout the process of project development, submission and approval could discourage developing countries from submitting funding proposals.

109. Another Board member requested clarification as to whether the word ‘countries’ in paragraph (g) of the draft decision referred only to countries involved in project implementation or also to countries whose accredited entities were involved in channelling GCF funding.

110. The Board member proposing the amendment clarified that paragraph 8 of the guidance from the COP did not include a request to the Secretariat, but merely noted “with concern the lack of signed bilateral agreements related to privileges and immunities”. Their proposed amendment stemmed from a concern that the original wording of paragraph (g) of the draft decision could indicate a shift in the priorities of the Secretariat. In order to accommodate the concerns of other Board members, the Board member withdrew their proposal for the insertion

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<sup>1</sup> Decision numbers will be assigned in the forthcoming report of the session.

of an additional clause in paragraph (g), and instead suggested to either change the wording of paragraph (g) from “*increase* its efforts to negotiate and sign...” to “*continue* its efforts to negotiate and sign...”, or to delete paragraph (g) since the matter of privileges and immunities had already been covered in previous Board decisions.

111. The Co-Chairs proposed to replace the word “increase” with “continue”, as suggested by the Board member. They also stated that they would return to the nomination of two Board members to support the work of the PSAG as per paragraph (j) of the draft decision.
112. Seeing no objections, the draft decision was duly amended.
113. The Board took note of document GCF/B.15/04.
114. The Board adopted the following decision:

### ***DECISION B.15/03***

*The Board, having considered document GCF/B.15/04 titled “Guidance from the twenty-second session of the Conference of the Parties: Co-Chairs’ proposal”:*

- (a) *Takes note of the guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change at its twenty-second session, in particular UNFCCC decision X/CP.22,<sup>2</sup> titled “Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund”;*
- (b) *Requests the Secretariat to prepare a document for consideration by the Board at its sixteenth meeting that outlines the actions to be taken by the Board in order to facilitate an increase in proposals from direct access entities in the pipeline;*
- (c) *Decides to include, where feasible, gender consideration in all of the activities of the GCF;*
- (d) *Requests the Secretariat to include such information referred to in paragraph (b) above in its annual report to the Conference of the Parties to the United Nations Framework Convention on Climate Change;*
- (e) *Decides in accordance with paragraph 38 of Rules of Procedure of the Board to invite the Chairs of the Technology Executive Committee and the Advisory Board of the Climate Technology Centre and Network to present to the Board at its seventeenth meeting during its consideration of options for supporting collaborative research and development;*
- (f) *Requests the Secretariat to include information on the actions taken to strengthen linkages between the Technology Mechanism in the sixth report of GCF to the Conference of the Parties to the United Nations Framework Convention on Climate Change;*
- (g) *Also requests the Secretariat to continue its efforts to negotiate and sign, or otherwise develop, agreements or other appropriate arrangements with countries on privileges and immunities consistent with decision B.10/12;*
- (h) *Further requests the Secretariat to incorporate in its report to the twenty-third session of the Conference of the Parties to the United Nations Framework Convention on Climate Change a section on the status of the existing GCF privileges and immunities with regard to its operational activities consistent with UNFCCC decision 7/CP.20, paragraph 22;*
- (i) *Requests the Private Sector Advisory Group to provide recommendations to the Board at its seventeenth meeting on:*

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<sup>2</sup> Available at <[http://unfccc.int/files/meetings/marrakech\\_nov\\_2016/application/pdf/auv\\_cop22\\_i10c\\_gcf.pdf](http://unfccc.int/files/meetings/marrakech_nov_2016/application/pdf/auv_cop22_i10c_gcf.pdf)>. Decision numbers will be assigned in the forthcoming report of the session.

- (i) *The development of modalities to support activities enabling private sector involvement in the least developed countries and small island developing States; and*
- (ii) *Opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels; and*
- (j) *Decides to co-opt a Board representative from the least developed countries and another from the small island developing States to assist the Private Sector Advisory Group to develop its recommendations in relation to paragraph (i)(i) above.*

## **Agenda item 11: Progress report on support for REDD-plus**

115. The Co-Chairs opened the agenda item and introduced document GCF/B.15/Inf.07 titled “Progress report on support for REDD-plus”. They reminded Board members of decision B.14/03 in which the Board requested “the Secretariat to develop for consideration by the Board at its sixteenth meeting: a request for proposals for REDD-plus results-based payments [...]” and “further guidance to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD-plus [...]”. The Co-Chairs wished to propose an additional step in this process for the Board’s consideration.

116. This would involve the appointment of two Board champions for REDD-plus in order to facilitate the consultations to be undertaken by the Secretariat. Following consultations with Board members, the Co-Chairs proposed that these would be Mr. Tosi Mpanu Mpanu and Ms. Caroline Leclerc.

117. In addition, following discussions with the Secretariat, the Co-Chairs suggested deferring the consideration of the request for proposals (RFP) for REDD-plus results-based payments from B.16 to B.17 in order to provide extra time for stakeholder and expert consultations.

118. They opened the floor for comments.

119. There was strong support from Board members for the additional step and for the champions proposed. There was also support for the widest possible consultations, including an expert workshop, and the need for early progress given also that the Board was beginning to see funding proposals on REDD-plus. One Board member highlighted that the GCF should aim to become the gold standard in this field, financing projects not supported by other funds. Another Board member requested to add a champion from Malaysia, given that the country was at the forefront of work in this field. They also proposed a GCF-funded expert workshop in Malaysia. They noted that this should not pose too many challenges for the GCF, given that guidance was already available under the Cancun Agreements and the Warsaw Framework for REDD-plus. One Board member proposed that given the complexity of the topic, that a virtual meeting be held with stakeholders in order to get the maximum input to the process.

120. The Co-Chairs confirmed that this could be coordinated by the champions working with the Secretariat, and that it would be recorded in the report of the meeting.

121. Another Board member noted that since the document stated that there was a need for the engagement of experts it would be necessary to determine who precisely these experts would be.

122. A CSO active observer welcomed the provision for stakeholder inputs, including from civil society organizations and indigenous peoples, into the REDD-plus results-based payments operationalization process. They requested that the Secretariat have a clear mandate to organize the stakeholder input process, including a proposed structure and timelines to be

completed by B.16. They also stated that the GCF consider the establishment of a focal point on indigenous peoples' issues within the Secretariat to provide resident expertise on forests and REDD-plus.

123. The Co-Chairs concluded the discussions by confirming that the champions would consult widely so that countries such as Malaysia could also contribute fully to the process. The idea of establishing champions was not to create a new committee but to provide a process in which all stakeholders could be engaged so that a decision could be taken by the Board in 2017.

124. The Board took note of document GCF/B.15/Inf.07.

## **Agenda item 12: Country programming and readiness**

### **(a) Progress report on the readiness and preparatory support programme**

125. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.15/Inf.08 titled "Progress and outlook report of the Readiness and Preparatory Support Programme".

126. They invited a representative of the Secretariat to take the floor.

127. A representative of the Secretariat presented an overview of the programming exercise, explaining that half of the 96 countries currently working on country programmes were receiving readiness support to do so. The Readiness and Preparatory Support Programme was helping the GCF to set new standards on direct access and had been instrumental in promoting the development of high-quality funding proposals, as illustrated by the funding proposal from Vanuatu (funding proposal 035 (FP035)) which had been submitted to the Board for consideration at the current meeting. The GCF was working closely with 18 direct access entities and new readiness requests continued to emerge. Of the 17 entities that had received readiness support for accreditation, 1 was due to be recommended for accreditation at the current meeting.

128. A second representative of the Secretariat gave a presentation illustrating the role of readiness in developing the pipeline of proposals and accreditation. They provided an overview of the activities under way in the areas of country programming, entity work programmes and structured dialogues. On country programmes, they presented the geographical distribution of the country programmes under development, and noted that 21 countries had received disbursements from the Readiness and Preparatory Support Programme to develop their country programmes through stakeholder engagement. On entity work programmes, they noted that 18 accredited direct access entities and 13 accredited international entities had initiated the process of developing their entity work programmes, which included several project ideas that lent themselves to potential project preparation requests. The structured dialogues provided a platform for countries and accredited entities to exchange information on programming. The Secretariat had organized three such regional events in Africa, Latin America and the Pacific, and supported more than 20 national stakeholder workshops. Lastly, they stated that the Secretariat expected demand for readiness support in 2017 to amount to USD 100 million, as a conservative estimate.

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

130. Two Board members asked whether, given the wealth of rich information provided in the document, some of the material in the addenda to the document should have been presented as decisions. One Board member asked how the Secretariat intended that the provided information be used and who was the target audience. They also asked that the Secretariat present financial data on readiness support a little more clearly.

131. The Co-Chairs stated that their intention was to hear Board members' comments before coming back with a proposed decision the following day.

### **Value of the Readiness and Preparatory Support Programme**

132. Several Board members praised the quality of the document, expressed support for the draft decision and commended the work of the Secretariat on improving and simplifying the Readiness and Preparatory Support Programme which appeared to be having a positive impact. Various Board members stressed the value of the Readiness and Preparatory Support Programme, including the structured dialogues, in raising awareness of and promoting engagement with the GCF, improving relations between the Secretariat and focal points/ NDAs, and helping countries to develop innovative, paradigm-shifting and transformational projects in line with the GCF objectives. One Board member highlighted the crucial role of the Readiness and Preparatory Support Programme in enabling SIDS in the Pacific to gain access to GCF funding.

### **Readiness support for adaptation planning processes**

133. Board members also expressed broad support for the new initiative to provide readiness support to developing countries for the process of formulating national adaptation plans (NAPs).

134. One Board member called on the Secretariat to accelerate the delivery of NAP readiness activities without imposing any additional conditions that might slow down that process, and underlined the strategic importance of national adaptation planning for long-term adaptation action, in line with the Paris Agreement.

### **Results and evaluation**

135. One Board member expressed concern over the slow implementation of Readiness and Preparatory Support Programme. Another Board member said that, while the allocation of funding to the Readiness and Preparatory Support Programme was encouraging, it was important for the Secretariat to focus on the disbursement of those funds in the following year to bring about real results on the ground. The Secretariat should also carry out the necessary reporting to ensure the delivery of results.

136. A Board member highlighted the need to move away from analysing outputs in terms of documents, figures and meetings, and instead to analyse whether the Readiness and Preparatory Support Programme was producing the intended end results, namely the submission of high quality funding proposals. Highlighting the need for continuous improvement in performance, they underlined the importance of the forthcoming independent evaluation of the Readiness and Preparatory Support Programme (decision B.08/11) to be conducted in 2017. However, another Board member, while welcoming a focus on outcomes, suggested that it was perhaps a little too early to be measuring them.

### **Regional meetings**

137. Various Board members noted the value of the regional structured dialogues that had been held to date. According to one Board member, the structured dialogues were an excellent way of engaging with all relevant stakeholders and securing their active engagement in GCF processes, while also allowing representatives of the Secretariat to learn about the impact of readiness funding directly from its beneficiaries. One Board member underlined the need for the structured dialogues to address the topic of transformational impact.

138. The Board member from Australia said that their Government had been happy to support the Pacific Regional Meeting in August 2016. The Government of Australia had also held a number of other meetings in the Pacific region to raise awareness of the GCF, which had directly resulted in the submission of a number of funding proposals to the GCF.

### **Allocation of funds to the Readiness and Preparatory Support Programme**

139. Several Board members expressed support for an increase in the readiness budget in 2017. On top of the existing budget of USD 30 million, three Board members were in favour of allocating an additional USD 100 million to the readiness budget, with one echoing the comment made by the representative of the Secretariat that this was a conservative figure. One Board member noted that the Board was unable to define a 'transformational' adaptation project. Said Board member cited the USD 60 billion or more which New York, United States of America, had required after Hurricane Sandy to improve climate resilience; the USD 10 billion fund of the GCF would have achieved very little. The Board member stated that countries should be given the funds they needed. Other Board members were in favour of a smaller increase in the readiness budget: one Board member proposed allocating an additional USD 50 million to the readiness programme, while two Board members were in favour allocating an additional USD 30 million. Two Board members expressed satisfaction at the allocation of USD 3 million per country to support NAP processes as stated in decision B.13/09, and underlined that the readiness budget must be sufficient to cover the readiness requests that were likely to be submitted in that area in the coming months.

140. One Board member called for an ambitious approach to the readiness programme. They noted that it would be preferable to overestimate rather than underestimate the demand for readiness support in order to ensure that countries' ambitions and efforts to engage with the GCF were not hindered by a lack of available funding.

141. Another Board member said that despite the need for ambitious targets, it would be preferable to approve a lower amount of funding and top it up at a later date, if necessary.

142. Two Board members expressed opposition to the idea that the Secretariat should have to request a top-up to the readiness budget and stressed the need to approve the funding as a lump sum to provide predictability.

### **Linkages with other institutions**

143. A Board member praised the improved relations between the Secretariat and focal points/NDAs and the work of regional advisers. Another Board member expressed satisfaction at the links that had been made by the Secretariat with NAP processes and intended nationally determined contributions, and enquired to what extent the Secretariat had secured engagement from ministries of finance and planning in the countries concerned. They noted that collaboration with such ministries could help to ensure that projects being developed would genuinely help countries to adopt a transformative approach to climate change issues.

144. Another Board member urged the Secretariat to continue to collaborate with networks such as the National Adaptation Plan Global Support Programme and the Least Developed Countries Expert Group as well as improving linkages between accreditation and readiness; they suggested, for example, that the Accreditation Committee could consider how the accreditation process and the delivery of readiness services could be improved in 2017.

145. One Board member asked the Co-Chairs to consider how to better involve civil society in readiness activities.

### **Reducing barriers to resource access**

146. In order to meet the increasing demand for readiness support, one Board member called for more effective time management and efforts to reduce legal and administrative barriers so as to allow countries to gain access to readiness resources as quickly as possible.

147. One Board member said that readiness support was being provided disproportionately to large entities and large-scale projects. They underlined the need to provide increased support to direct access entities whose need for readiness funding was greater. On a related point, another Board member stated that it was important to ensure that limited-income countries were not being prevented from engaging with the GCF.

148. One Board member expressed concern over the low rate of participation in the Readiness and Preparatory Support Programme among eastern European countries and called on the Secretariat to pay special attention to involving the eastern European region in readiness activities. Highlighting that this problem was related to legal and administrative barriers, the Board member said that their constituency was dedicated to tackling this issue, which would be addressed at a regional meeting of eastern European countries to be held in March 2017.

### **Guidelines on the national adaptation plan processes**

149. One Board member requested the Secretariat to expedite the development of guidelines on the use of readiness funding to support NAPs and refrain from providing readiness funding to support NAPs until the guidelines were in place.

150. A number of Board members emphasized the need to provide countries with readiness funding for NAPs as early as possible and stressed that countries' requests for readiness funding should not be denied as a result of delays in the development and adoption of guidelines. One Board member stated that the Board should avoid a repetition of the situation which Rwanda had found itself in, in relation to the Project Preparation Facility (PPF). Already several countries had prepared requests, based on decision B.13/09 to allocate USD 3 million to NAP readiness funding. It would not be acceptable for the least developed country (LDC) constituency to temporarily discontinue approval of such requests until guidelines and a template were in place. Another Board member also referenced decisions taken at the thirteenth meeting of the Board regarding general readiness funding, and specifically NAP readiness funding, highlighting the need to remain consistent with those decisions and refrain from reversing them without specific reasons.

151. A Board member suggested that, pending the availability of sufficient data to develop GCF guidelines and templates on NAPs, the UNFCCC national adaptation plan technical guidelines and guidelines from UNFCCC constituent bodies could be used in the interim. Meanwhile, countries should be provided with the funding that they required. It was important not to take a premature decision on a template for NAPs because it would be difficult to change at a later date.

### **Entity work programmes**

152. One Board member stated that international entities must be required to submit work programmes to the Secretariat as a matter of GCF policy. If the work programme and country programme were combined, the Board would get a clearer idea of how the GCF would evolve. While elements of the organizational charters of partner agencies could be accommodated in the processes of the GCF, the Secretariat needed to exercise its own power to ensure that it was not at the mercy of international organizations.

153. Said Board member also emphasized the combined importance of country programmes and entity work programmes in building up a holistic picture of how the GCF was set to evolve in the coming years, noting that once such programmes had been improved, they could

eventually render concept notes redundant. On that basis, the Board member called on the Board to establish a requirement for all accredited entities to formally submit their entity work programmes to the Secretariat for consideration as action items at future Board meetings.

### **Accountability**

154. A Board member highlighted the need for accountability in the administration of readiness funds and urged the Board to consider whether or not the Secretariat should be performing the role of implementing entity for large amounts of funding. They noted that this was especially important, given the projected increase in funding amounts in the coming years, the potential impact on staff workload, and the need to link the Secretariat's work on readiness with other factors such as the strategic plan and fiduciary standards.

155. Another Board member said that they did not consider the Secretariat to be functioning as an implementing entity.

### **Other matters**

156. A Board member underlined the need to ensure that all activities funded by the GCF were country-owned.

157. Another Board member requested the inclusion in subsequent reports on the Readiness and Preparatory Support Programme of the total amount of readiness funding requested, rather than merely the number of readiness requests received.

158. The Board member from the United States of America stated for the record that the United States, in the light of its policies for certain development projects involving countries whose governments were not addressing trafficking in persons and did not have civilian audits of military expenditures, opposed the decision to provide readiness support to Eritrea.

159. A CSO active observer expressed support for the upcoming independent evaluation of the Readiness and Preparatory Support Programme. Noting the slow pace of disbursement, they urged the GCF to continue to streamline the readiness process, accelerate disbursement and scale up the operations of the PPF. The observer expressed support for the suggestion to allocate USD 100 million to the readiness programme in 2017 and stressed the need to guarantee sufficient and effective staffing in order to respond to readiness requests from countries. They called for an increase in the participation of civil society in structured dialogues and in the assessment of the outcomes of readiness activities. While it was encouraging to see the development of country programmes, such processes should not be seen simply as the filling out of a template but rather as the establishment of a programme which would underpin an ongoing process, forming part of a strategy to catalyse transformational impact. They called for the Secretariat to have staff on the ground, possibly hosted in domestic institutions, and in the longer term, to establish permanent legal offices.

160. A private sector organization (PSO) active observer drew attention to the importance of engaging private sector entities at the local level, including small- and medium-sized enterprises such as credit unions, small financial institutions and agriculture unions, and requested the Secretariat to pay greater attention to those types of entities. They highlighted that the Secretariat should encourage broad participation of the private sector in ongoing structured dialogues and regional and national meetings. They also requested that the Secretariat provide additional information on private sector participants in meetings, noting that the participation of small- and medium-sized enterprises in meetings might require additional resources. The observer called for capacity-building in NDAs to allow them to increase engagement with the private sector, and additional readiness funding to support understanding and the dissemination of requests for (funding) proposals (RFPs) as suggested by the PSAG.

161. The Co-Chairs took note of the comments and proposed to bring a revised draft decision to the Board for consideration the following day.
162. The meeting was adjourned.
163. The agenda item was reopened and a draft decision was circulated.
164. One Board member wished to know whether the figures being discussed for the readiness budget related to the total readiness budget or to additional readiness funding on top of the existing budget of USD 30 million.
165. The Co-Chairs confirmed that the figures being discussed related to the allocation of additional funds to the readiness programme, on top of its existing budget. They amended the wording of the draft decision to reflect that clarification.
166. A number of Board members reiterated that the Secretariat's estimate of USD 100 million had been a conservative one and expressed the concern that USD 50 million would be insufficient to cover the total value of readiness requests in the coming year, thus obliging the Secretariat to return to the Board part way through the year to request additional readiness funds. One Board member expressed the concern that such a depletion in funding could prevent direct access entities in developing countries from gaining access to the funding they required.
167. The Co-Chairs confirmed that if USD 50 million worth of funding were to be allocated to the readiness budget and if it were to be depleted before the end of 2017, the Secretariat would be able to return to the Board to request additional funds.
168. A Board member requested the inclusion of an additional paragraph in the draft decision stating explicitly that the Secretariat could request additional readiness funds from the Board if the readiness budget were to run out before the end of the year.
169. One Board member wished to know whether the Secretariat had submitted a work programme and budget detailing the use of the additional funds, for consideration and approval by the Board. They also wished to know whether any conclusion had been reached by the Board on the concern that they had expressed with regard to the Secretariat's role as an executing or implementing entity, and if so, what standards would be applied. The Board member highlighted that although the readiness programme had been running for two years, no audit on the relevant activities had been made available. They also enquired as to whether the Secretariat would be able to cope, assuming the status quo persisted, with the readiness programme if it were to end up being worth, for example, USD 500 million or USD 600 million in the future. They stated that they could not support the decision which used language of "up to" when describing the amount of additional readiness and support funding which would be made available but would not block it. They requested that their statement be recorded in the report of the meeting.
170. Another Board member noted that the Head of the Independent Evaluation Unit would not be taking up their post until the beginning of February 2017; consequently, the independent evaluation of the Readiness and Preparatory Support Programme may not be complete for a few months. They wished to know whether, in the event that the readiness budget was spent before the completion of the independent evaluation, this could lead to a delay in the approval of a potential top-up in the readiness budget.
171. A representative of the Secretariat said that if additional readiness resources were required, the Secretariat would be able to return to the Board part way through the year to request a funding top-up. They also clarified that the allocation of additional readiness resources would not be dependent on the completion of the independent evaluation. With regard to the question raised by a Board member as to whether the Secretariat was functioning

as an implementing entity, the representative of the Secretariat clarified that this was not the case. They explained that the Secretariat itself was not implementing any readiness activities and that readiness resources were in fact deployed through delivery partners, some of which were international institutions. On that topic, the representative reported with satisfaction that the Secretariat had recently signed framework agreements with four such delivery partners, namely the Food and Agriculture Organization of the United Nations, Deutsche Gesellschaft für Internationale Zusammenarbeit, the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). Countries could also choose to work with national institutions as delivery partners; in such cases, the financial management capacity of delivery partners, if not accredited with the GCF, was assessed based on strict fiduciary standards. Furthermore, discussions were ongoing between the Secretariat and the United Nations Office for Project Services regarding the provision of additional financial supervision, to ensure the highest possible level of accountability.

172. The Co-Chairs took note of the comments raised by Board members and invited the Board to adopt the draft decision.

173. The Board took note of document GCF/B.15/Inf.08.

The Board adopted the following decision:

#### ***DECISION B.15/04***

*The Board, having considered document GCF/B.15/Inf.08 titled “Progress and outlook report of the Readiness and Preparatory Support Programme”:*

- (a) *Decides that, from the resources available in the GCF Trust Fund, up to an additional USD 50 million is to be made available for the execution of the Fund’s Readiness and Preparatory Support Programme (“Programme”);*
- (b) *Requests the Secretariat, recalling decision B.08/11, paragraph (j), and decision B.13/03, to present the results of the independent evaluation of the Programme to the Board no later than the last meeting in 2017, and to ensure that the results of the evaluation are taken into account when considering requests for resources for the Programme subsequent to the evaluation; and*
- (c) *Also requests the Secretariat to present the draft terms of reference for the independent evaluation of the Programme for Board consideration at the sixteenth meeting of the Board.*

#### **(b) Country and accredited entity programmes**

174. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.15/Inf.09 and Add.01-03 (limited distribution) titled “Building country-driven pipelines: update on country programmes and entity work programmes”. The details of the three limited distribution addenda are as follows: GCF/B.15/Inf.09/Add.01 titled “Building country-driven pipelines: update on country programmes and entity work programmes – addendum I: country programmes”, GCF/B.15/Inf.09/Add.02 titled “Addendum II: entity work programmes: direct access entities” and GCF/B.15/Inf.09/Add.03 titled “Addendum III: entity work programmes: international access entities”.

175. The Co-Chairs opened the floor for comments and questions.

176. One Board member expressed concern that the useful information contained in the document might be read and simply set aside, rather than being utilized in a constructive

manner. They asked the Secretariat to clarify who the intended target audience was for the document.

177. A representative of the Secretariat said that the document was geared towards three target audiences: the countries and entities themselves, the Secretariat and the Board. Firstly, the exercise of holding regional dialogues had allowed countries and entities to forge partnerships and exchange information on their respective plans for working with the GCF. In addition, it had allowed them to enhance understanding within their own institutions or countries regarding their engagement with the GCF. Secondly, the document allowed the Secretariat to foresee emerging demand in terms of readiness support and the PPF. Thirdly, the document was intended to provide a summary of information to the Board in accordance with a request made in decision B.13/05, paragraph (c); the document could also form a basis on which the Board would be able to issue strategic guidance on how to holistically deploy readiness and preparatory support to develop the programming priorities identified.

178. One Board member recalled that they had requested that the Board adopt a decision requiring all AEs to formally submit their entity work programmes to the Secretariat for consideration by the Board, as action items rather than information documents. The Board member wished to know if the Co-Chairs intended only to take note of the documents or also to adopt a decision in accordance with the aforementioned request.

179. In responding to said Board member, the Co-Chairs recapped that there was a draft decision for the previous agenda sub-item (12(a)) which would be presented to the Board in line with the request that had been made by said Board member. With respect to agenda sub-item 12(b), the Co-Chairs stated that they intended that the Board only take note of the documents. Nevertheless, if the Board also wished to adopt a decision under this sub-item then the Co-Chairs would endeavour to accommodate that request.

180. The Board member again requested that the Board adopt a decision requiring all accredited entities to formally submit their entity work programmes to the Secretariat.

181. Another Board member endorsed the request for entity work programmes to be submitted to the Board for consideration. They noted that this was one of the key outputs from the strategy session at the informal Board meeting held in Cape Town, South Africa, in February 2016. Such a process would help the GCF to align its programming with countries' climate strategies and enable AEs to be selected, based on their strengths and comparative advantages. Over time, it could also help the GCF to identify key priority themes. While acknowledging that the GCF would not be able to provide full funding for all entity work programmes, the Board member highlighted that the formal submission of those programmes provided a useful map which would help AEs and NDAs to develop financing strategies which would work in a strategic way with several funders, and especially with the GCF. They also hoped that the process would lead to more strategic thinking on co-financing and partnerships. It could also help the GCF to determine which activities were best aligned with its objectives, as well as matching countries with accredited entities that were best suited to their requirements.

182. The Co-Chairs proposed to take note of the documents, following which a potential decision could be submitted for consideration by the Board the following day.

183. The Board took note of GCF/B.15/Inf.09 and Add.01-03.

### **(c) Country ownership guidelines**

184. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/06 titled "Country ownership guidelines". They recalled that in decision B.14/06, the Board had requested Board member, Mr. Colin Young, and alternate member, Ms. Kate Hughes,

to consult with the Board intersessionally with a view to presenting revised country ownership guidelines for consideration by the Board at B.15.

185. They invited Ms. Hughes to update the Board on the results of the intersessional consultations on country ownership and present the revised country ownership guidelines to the Board.

186. Ms. Hughes expressed gratitude to her colleague Mr. Young, who had sent his apologies for his absence from the meeting, and to the members of the Secretariat, for their hard work on the consultation process. She also confirmed that Mr. Young had given his approval for the document. Ms. Hughes and Mr. Young had geared their work towards reflecting the crucial importance of country ownership in the work of the GCF, while avoiding the adoption of an excessively prescriptive approach to the way in which the guidelines were given effect in different countries' national contexts. Through the consultations, they had concluded that while NDAs played a core role in fostering country ownership, the scope of country ownership also extended to a much wider range of stakeholders. Moreover, country ownership was not an end in itself or an exercise in ticking boxes but rather a long and continually evolving process. While recognizing that it had not been possible to capture every element of the consultations in the document, Ms. Hughes expressed the hope that it would serve as a positive step forward in the Board's discussions on country ownership guidelines.

187. The Co-Chairs invited the Board to adopt the draft decision contained in annex I to the document and opened the floor for comments.

188. Broad satisfaction was expressed regarding the work carried out by Ms. Hughes and Mr. Young in facilitating the consultations. Board members praised the quality and conciseness of the document and agreed on the vital role of country ownership in the success of the work of the GCF.

189. One Board member praised the decision to avoid an overly prescriptive approach to the country ownership guidelines and the well-balanced nature of the document, which highlighted the key role of NDAs, while recognizing that country ownership also extended to other stakeholders.

190. One Board member expressed satisfaction at the reference made in the document to the importance of using national capacities and expertise in the preparation and implementation of projects. They said that for certain projects it would not make sense for the GCF to appoint its own chief technical adviser who would only visit the relevant country on an occasional basis; in such cases, it was preferable to use locally-based expertise.

191. The same Board member also stressed the need for countries, in particular NDAs, to be involved in the generation of funding proposals; all stakeholders in all relevant sectors should be consulted from the early stages when concept notes were developed, rather than being left to discover projects once they were already in the GCF pipeline. Another Board member underlined that country ownership was a requirement of the UNFCCC and the Sustainable Development Goals and requested that the document include specific language on the mandatory requirements for country ownership in GCF projects, in particular with regard to the engagement of NDAs.

192. A Board member, noting that they had not been included in the consultations, questioned the assertion made in the document that country ownership meant different things to different people and asked whether the Board intended to establish a standardized definition of country ownership. The Board member pointed out that countries were only just beginning to benefit from the Readiness and Preparatory Support Programme and did not yet fully understand how to engage with the GCF. The document was not sufficiently mature and would benefit from further development, particularly given that the allocation of responsibilities in the

programming process (between NDA, AE and the Secretariat) would become clearer throughout the following year. There should therefore be no rush to adopt a decision at the current stage.

193. A Board member emphasized the need for the consultations not to be carried out in isolation from other matters, but rather to take into account the wider context relating to upcoming decisions such as that on readiness and preparatory support.

194. The Co-Chairs proposed that Ms. Hughes and Mr. Young continue the consultations on country ownership guidelines, ensuring to include Board members who had not been consulted thus far, and submit a document for consideration by the Board at B.16

195. Ms. Hughes took note of the comments made by Board members and apologized if any Board members had been omitted from the consultations.

196. A CSO active observer expressed bewilderment that no decision had yet been reached on country ownership, especially in view of its fundamental role in ensuring the success of the work of the GCF. While noting that the draft guidelines included many positive elements, including the references to the effective involvement of stakeholders and the importance of country ownership throughout the entire life cycle of projects, the observer called for greater emphasis on the leading role of NDAs and local stakeholders, which should take precedence over international entities. The observer proposed a number of improvements to the guidelines: (1) the investment criteria and subcriteria on country ownership of the GCF should be updated to reflect best practices; (2) paragraph 11 should be amended to include the principle of subsidiarity; (3) the scope of the stakeholder engagement policy mentioned in paragraph 16 should go beyond the ESMS; (4) rather than stating, in paragraph 17, that country ownership may mean different things in different contexts, the paragraph could be rephrased to state that the principle of country ownership may be operationalized differently in different contexts; (5) minimum standards for the obtainment of a no-objection letter should be stated explicitly; these should include a multi-stakeholder consultative process and, in the case of projects involving indigenous peoples, the obtainment of free, prior and informed consent before the signing of a no-objection letter; and (6) country programmes should be developed to enable participatory impact assessment, in line with the monitoring and accountability framework of the GCF. With regard to the draft decision, the observer proposed the addition, to the end of paragraph (c), of the words “and engagement with stakeholders, including civil society”.

197. The Co-Chairs stated that consultations by the nominated Board members on the development of country ownership guidelines would continue and the document should be submitted for consideration at B.16.

198. On the final day of the meeting, the Co-Chairs informed the Board that following further consultations, alternate members, Mr. Amjad Abdullah and Mr. Dan Reifsynder, had been nominated to replace Ms. Hughes and Mr. Young to continue consultations on the development of a document on country ownership guidelines to be submitted for consideration at B.16.

199. The Board took note of document GCF/B.15/06.

### **Agenda item 13: Terms of reference for the annual review of the financial terms and conditions of the Green Climate Fund financial instruments**

200. The Co-Chairs opened the agenda item and invited the chair of the Investment Committee (IC), Ms. Kate Hughes, to introduce document GCF/B.15/09, titled “Terms of reference for the annual review of the financial terms and conditions of the Green Climate Fund financial instruments”.

201. Ms. Hughes noted that the purpose of the annual review was to contribute to the continuous learning of the GCF and improve the quality of funding proposals submitted to the Board. The IC had agreed that the review should contain both an internal component, to take stock of the projects and programmes approved by the Board to date, and an external component aimed at keeping pace with current market practices, including those used by other organizations. The aim of the latter was to ensure that the GCF was applying the highest possible standards with regard to financial terms and conditions. Although there had been limited available data on which to base the first review, the IC had considered it important to initiate the review process as early as possible. The results of the first review would be used to inform future reviews, enhance the quality of the information given to the Board and improve communication to AEs and NDAs on what the Board expected as part of a good quality funding proposal.

202. The Co-Chairs thanked the chair of the IC for her introduction and opened the floor for questions and comments.

203. Several Board members expressed appreciation to the IC for its hard work, praising the succinct and comprehensive nature of the document and reiterating the important role of the review in improving the future operations of the GCF.

204. A CSO active observer acknowledged the potential need to delay the review or extend its timespan and emphasized the need for the review:

- (a) To include explicit input from implementing entities, executing entities and civil society, so as to ensure that a broad range of stakeholder experiences were taken into account;
- (b) To refrain from attaching excessive importance to the “overall impact of investment” when determining the level of concessionality of loans, and instead also take into account factors such as the appropriateness of financial instruments in relation to the investment criteria as a whole;
- (c) To state explicitly that co-financing was not a precondition for grant financing;
- (d) To pay particular attention to equity financing, including by assessing the capacity of the GCF to perform adequate oversight of Fund Managers' adherence to the GCF environmental and social safeguards (ESS) and Gender policy, particularly in view of the large proportion of equity financing in the pipeline for the upcoming 12-month period and the various potential problems that had already been identified with regard to equity financing; and
- (e) To investigate the possibility of obliging co-financiers to make their terms transparent as a precondition for the receipt of GCF funding.

205. A Board member proposed, in reference to paragraph 4 of the terms of reference (TOR) contained in annex II to the document, that the word “may” in the phrase “the review *may* be extended to assess the conditions and covenants applied to the project/programme with a view to gaining knowledge of their potential impact during implementation” should be replaced with the word “should”, in order to reflect the importance of assessing the impact of GCF-funded projects.

206. Another Board member, while acknowledging the importance of impact assessment, stressed that, given the lack of data available at the current early stage of project implementation, it would be difficult to conduct any such assessment in advance of the following Board meeting.

207. The Co-Chairs noted that the proposed amendment could have an impact on the scope and cost of the review.

208. Following a short discussion on the proposed amendment, the Board member withdrew their proposed amendment and Co-Chairs decided to retain the original wording of paragraph 4 in the TOR.
209. A Board member requested that paragraph 5 (a) of the document be amended by adding the words “including not crowding out the private sector” after “avoid generating market distortions.
210. Another Board member requested the inclusion of an additional paragraph in the TOR stating explicitly that the concessionality provided by the GCF must be passed on to developing countries in order to assist them in overcoming the challenges posed by climate change. The additional paragraph would thus read, “Assess how the concessionality provided to the accredited entities by the GCF in approved funding proposals is passed on to the recipients of programmes or projects, provided sufficient data is available”.
211. Seeing no objections, the Co-Chairs accepted the proposed amendments and invited the Board to take note of the document and adopt the draft decision as amended.
212. The Board took note of document GCF/B.15/09.
213. The Board adopted the following decision:

### ***DECISION B.15/05***

*The Board, having considered document GCF/B.15/09 titled “Terms of reference for the annual review of the financial terms and conditions of the Green Climate Fund financial instruments”:*

- (a) *Adopts the terms of reference for the review of the financial terms and conditions of the Green Climate Fund’s financial instruments contained in **annex I** to this document; and*
- (b) *Requests the Secretariat to carry out such a review, with support from external consultants and in consultation with the Investment Committee, with the aim of submitting a review report to the Board at its sixteenth meeting, and no later than its seventeenth meeting.*

## **Agenda item 14: Matters related to funding proposals**

### **(a) Status of the Fund’s portfolio: pipeline and approved projects**

214. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/Inf.10 and Add.01 and 02 (limited distribution) titled “Status of the GCF portfolio: pipeline and approved projects”.
215. They noted that, in response to a request previously made by the Board for increased transparency, the current document on the portfolio was the most comprehensive to date. A representative of the Secretariat was invited to take the floor.
216. A representative of the Secretariat presented an update on the status of the project and programme pipeline, including a breakdown of projects by region and sector and an overview of the direct access entity portfolio. They informed the Board of progress made towards the implementation of the 27 funding proposals that had been approved to date.
217. The Co-Chairs opened the floor for comments from Board members.
218. One Board member requested clarification as to whether the proposals would be considered one by one or as a package.

219. The Co-Chairs confirmed that they intended to consider the proposals one by one.

220. Many Board members commended the Secretariat on the high quality of the document. Suggestions made by Board members included the publication of updated pipeline information on the GCF website and more regular reporting, including more information on the amount of funding requested in each proposal, the proportion of funds assigned to international and direct access entities, respectively, and the percentages accounting for mitigation and adaptation in the case of cross-cutting proposals.

### **Delays in implementation**

221. Many Board members expressed concern at the limited progress made towards the implementation of the approved projects and programmes, noting that only one funded activity agreement (FAA) had been signed to date; one Board member said that such delays constituted a serious risk to the reputation of the GCF. The Board requested the Secretariat to explain the causes of the slow progress towards signing FAAs and AMAs.

222. Several Board members suggested that the large number of conditions attached to approved proposals may be a factor in the long timespans between project approval and the start of implementation. Two Board members suggested that improved guidance from the Board to stakeholders on what constituted a good quality proposal could reduce the need to impose conditions. One Board member said that such conditionality was inevitable at the current stage given the pressure on the Board to meet its ambitious targets for the approval of funds, and suggested that setting specific deadlines for the fulfilment of conditions could be a way of accelerating progress towards project implementation. Another Board member underlined that the body responsible for attaching conditions to funding proposals was the Board, not the Secretariat or the TAP. The same Board member also stated that, despite requests during earlier Board meetings, the TAP and the Secretariat were not providing the Board with information on issues arising during their review of funding proposals which might require a policy decision from the Board; said Board member stated that such a process would remove the need for large numbers of conditions.

223. Two Board members questioned whether the Secretariat's policies and legal processes may be excessively complex and suggested that the Secretariat compare its relevant documentation and processes with those of other funds; specifically, one Board member requested the Secretariat to submit a document comparing the policies of the GCF with those of other climate change related institutions at B.16. Another Board member questioned whether the delays in the completion of legal agreements may be the result of a lack of capacity in the Secretariat, particularly in the Office of the General Counsel.

### **Direct access entities**

224. General concern was expressed by Board members over the continued shortage of proposals from direct access entities (DAEs) in the pipeline. While the increase in the proportion of DAE proposals since B.14 was encouraging, it mainly applied to concept notes and to funding proposals likely to be submitted in 2018 and beyond. A number of Board members wished to know the causes behind that shortage, with some Board members questioning whether the low number of accredited DAEs or the time taken to complete readiness activities may be contributing factors. They asked the Secretariat what measures could be taken to accelerate the preparation of proposals from DAEs.

225. Several Board members urged the Secretariat to increase its efforts to provide support to DAEs; specifically, one Board member proposed that greater staff capacity should be dedicated to dealing with proposals from DAEs.

226. Another Board member asked for an update on progress made towards the simplification of funding proposal templates for low-risk proposals.

### **Project Preparation Facility**

227. A number of Board members expressed concern over the apparent low level of interest in the PPF, noting that, according to the document, only two proposals were currently receiving PPF funding. In view of the potential of the PPF to assist AEs, especially DAEs, in improving their funding proposals, Board members asked the Secretariat to explain the reasons behind the low interest.

### **Balance between results areas**

228. A Board member expressed satisfaction at the balance between the various results areas in the case of the public sector proposals, but lamented that funding for private sector projects was concentrated in a limited number of areas. Two Board members pointed out that the majority of financing in mitigation-based concept notes was currently assigned to the energy sector, and suggested that the Secretariat explore ways of motivating private sector entities to produce proposals geared towards adaptation objectives, noting that the PSAG could be of assistance to that end.

229. A Board member expressed satisfaction at the increase in the share of funding proposals for adaptation projects.

230. A number of Board members expressed concern at the lack of clarity with regard to the relative weight of the mitigation and adaptation components of cross-cutting proposals, and asked the Secretariat to provide clearer information.

### **Regional balance**

231. Several Board members expressed satisfaction at the projected impact of the current batch of funding proposals on SIDS, particularly in the vulnerable Pacific region. A Board member noted with regret that the least represented region in the portfolio was Latin America and the Caribbean, despite the fact that it contained 14 SIDS. They requested the Board and Secretariat to dedicate greater attention to that region, as well as to Africa and the LDCs.

232. In order to redress the stated imbalance, a Board member suggested that a request for proposals could be issued targeting a particular region or set of countries.

233. Another Board member requested the Secretariat to prioritize assigning its limited human resources to priority areas such as Latin America and the Caribbean, SIDS, the LDCs and African States.

### **Requests for proposals**

234. Two Board members expressed satisfaction at the response to the GCF RFPs, in particular those relating to micro-, small- and medium-sized enterprises (MSMEs) and enhanced direct access. Another Board member advised that while RFPs were clearly a useful instrument, they should not be overused.

### **Quality and potential impact of proposals**

235. Several Board members expressed concern at the low quality of funding proposals, particularly in terms of their potential for climate impact which, in certain cases, was not sufficiently clear, developed or well-connected to the activities. A number of Board members

urged the GCF to prioritize projects with a large potential climate impact. A Board member highlighted the need to encourage the submission of innovative and paradigm-shifting projects, interventions at scale and programmatic approaches, and noted that improved communication between the Secretariat and accredited entities could help to ensure that proposals responded to the expectations of the GCF.

236. Several Board members agreed on the need to make the current Board meeting a turning point towards increasing the quality of funding proposals. Some Board members encouraged the Secretariat to safeguard the quality of the proposals submitted to the Board as part of its due diligence process.

237. A Board member expressed their continuing concern over the lack of sufficient attention given in funding proposals to the issue of technology transfer to developing countries, which was a crucial aspect of sustainability.

### **Other comments**

238. Concerns were raised among Board members over what was considered to be an excessive reliance on grants, including for proposals in areas for which other loans or equity may be more appropriate, and the low proportion of co-financing, all of which reduced efficiency and effectiveness in the use of GCF resources.

239. A number of Board members expressed satisfaction at the progress made towards recruiting a new Director of the Division of Mitigation and Adaptation and noted the positive impact this was likely to have on pipeline development.

240. One Board member thanked the Secretariat for its timely publication of funding proposals, which had allowed sufficient time for their consideration and offered an opportunity for dialogue with accredited entities.

241. Two Board members requested the Secretariat to report on progress made towards establishing grant equivalency methodology, noting that the balance between mitigation and adaptation should be reported on grant equivalent terms.

242. A Board member requested the Secretariat to provide a detailed breakdown of funding proposals and concept notes, with a view to identifying which regions and categories of country were the least represented and redressing the balance as necessary.

243. Finally, one Board member requested clarification on how project costs were evaluated.

### **Comments from observers**

244. A CSO active observer echoed the comments made by the Board on the ongoing shortage of DAE proposals and the need for clear statistics on the respective proportions of funding dedicated to mitigation and adaptation in cross-cutting proposals, noting that a lack of adequate information thereon could skew the total figures. The observer also expressed concern over the backlog of paperwork, which was delaying progress on the pipeline and portfolio. A further concern was the increased share of equity linked to 'fund-of-funds' approaches. The observer urged the Board to hold a specific discussion about the role and potential dangers and challenges of large-scale equity investments in fund-of-funds approaches for the GCF mandate, and to involve civil society in this discussion.

245. A PSO active observer requested the GCF to improve its outreach to the private sector when building the project pipeline, noting that the GCF website – its primary communications tool – was difficult to navigate. Drawing attention to the fact that RFPs were not widely disseminated beyond the GCF website, the observer encouraged the GCF to ensure that RFPs

were also published on other websites and disseminated to professional networks used by the private sector, with a view to improving the effectiveness of the RFP process.

### **Response from the Secretariat**

246. With regard to progress towards implementation, representatives of the Secretariat explained that significant progress had been made on AMAs, with the help of the Risk Management Committee. They also noted that two FAAs were expected to be signed during the current Board meeting, and three more shortly afterwards; those agreements were vital in order to turn the funding proposals into projects and programmes.

247. They also noted that work was ongoing to develop a template FAA for grant schemes, in consultation with international and direct access entities, keeping in mind the GCF 'fit-for-purpose' approach and the need to avoid placing unnecessary burdens on national entities. The Secretariat expected to make significant progress on developing the templates in the following two months.

248. On the breakdown of the mitigation and adaptation components of cross-cutting proposals, they explained that the new template would require entities to report the respective amounts of funding to be assigned to mitigation and adaptation objectives.

249. With regard to the grant equivalency methodology, a representative of the Secretariat explained that the draft methodology was awaiting review by a third-party expert, and that it was expected to be used for pipeline reporting starting at B.17.

250. A representative of the Secretariat acknowledged the concerns expressed over the low proportion of proposals from DAEs and explained that the Secretariat faced challenges in dedicating its limited resources to DAE proposal development, while simultaneously working on building its own capacity. As part of efforts to remedy the situation, the representative said that international access entities, for example those in the United Nations system, should be encouraged to collaborate in providing technical support to direct access entities to enhance their preparedness, especially in view of the increasing the complexity of dealing with the rising number of DAEs being accredited.

251. On the issue of the PPF, a representative of the Secretariat highlighted that eight PPF requests were currently under consideration but that progress was being hampered by a lack of capacity in the Secretariat.

252. With regard to internal capacity, the Secretariat noted that one member of staff and one consultant had recently been hired to the Division for Mitigation and Adaptation, and an offer would be made for the position of Director of the division by the end of the current year.

253. Finally, on the issue of co-financing, the Secretariat noted that since the funding proposals were to be examined individually, Board members would have the opportunity to consider the total cost and terms and conditions of each proposal.

### **Comments from the Co-Chairs**

254. The Co-Chairs suggested that the Secretariat should publish regular updates on the progress of the GCF portfolio on the GCF website. While taking note of the need to simplify and improve the processes of the GCF, the Co-Chairs underlined that the Board would inevitably need to prioritize certain items over others, owing to capacity constraints in the Secretariat. They also welcomed the Secretariat's stated commitment to provide clearer information on the breakdown of the funding components of cross-cutting proposals, and took note of Board members' comments on the need to increase the proportion of proposals from direct access entities in the pipeline.

255. The Co-Chairs requested the Secretariat to take note of the issues raised by Board members with a view to presenting potential solutions to those matters at the following Board meeting.

256. The Board took note of document GCF/B.15/Inf.10.

**(b) Review of the initial proposal approval process**

**(c) Operational guidelines for the simplified proposal approval process**

257. The Co-Chairs introduced the two agenda sub-items and drew the attention of the Board to document GCF/B.15/10 titled “Review of the initial proposal approval process”. They nominated two alternate members, Mr. Nagmeldin Elhassan and Mr. Juha Pyykko, to lead consultations on the two sub-items and present their progress to the Board the following day.

258. The sub-items were adjourned.

259. The Co-Chairs reopened the two agenda sub-items and invited the two alternate members to report on the status of the consultations.

260. The two alternate members explained that constructive discussions had been held with the relevant constituencies and advisers on the items, during which differences of views had been discussed and mutual understanding had been increased. Despite the progress, they noted with regret that, owing to time constraints, it had not been possible to arrive at a draft decision for consideration by the Board. They proposed to continue the consultations with a view to reaching a decision at a subsequent Board meeting.

261. The Co-Chairs acknowledged the significance and urgency of SAP to the Board member from Samoa on behalf of all SIDS and developing countries, and took note of the reasons for the delay in concluding the consultations. Noting the previous failed attempts and the urgent need to reach a conclusion, they proposed to continue consultations and consider the matter at B.16.

262. A Board member, speaking on behalf of SIDS, said that it was difficult to comprehend why there had been so little progress on developing a SAP thus far. While acknowledging the concerted efforts of the Co-Chairs to advance the discussions on the operational guidelines for SAP, the Board member stated that the Secretariat had not provided said guidelines as mandated in the Governing Instrument for the GCF. Said Board member noted that they had provided input for such a document by the deadline given by the Secretariat and hoped that such input would not be lost. The Board member expressed the hope that the Board was not taking a selective approach to the matter. Given the repeated requests to the Secretariat to present guidelines on SAPs, including most recently in decision B.13/20, the Board member urged the Secretariat to submit the guidelines to the Board for consideration at its sixteenth meeting.

263. The Co-Chairs affirmed the importance of this matter and stated they were not taking a selective approach to the development of a SAP.

264. Another Board member expressed disappointment at the continued failure of the GCF to make progress on developing SAPs, and reiterated that the requirement to do so was enshrined in the Governing Instrument, not merely in decisions or interpretations thereof. Highlighting that most funds had a similar mechanism, the Board member also questioned whether the current situation may have come about by design. They stated that it appeared to be an evolving trend at the GCF that the approval process tended to be made easier for certain types of AEs and projects than for DAEs; DAEs had to fight harder and SIDS had to use entities they did not wish to use. It was widely known that projects presented to the Board from the World Bank, UNDP and development banks would not necessarily benefit SIDS. While expressing gratitude to the

Co-Chairs for their efforts to make progress on the issue, the Board member urged swift action to remedy the situation with the support of the new Co-Chairs. Said Board member stated that they would refuse to endorse projects that they felt had not been subject to sufficient scrutiny while the GCF continued to fail to facilitate access to funding for SIDS. They trusted that the new Executive Director would quickly resolve this situation.

265. A CSO active observer expressed disappointment at the lack of progress on SAP and the decision to defer it once more to the following Board meeting. This had been a priority for some time, yet no progress appeared to have been made. The observer urged the Board to make progress on SAP, which was of crucial importance to SIDS, the LDCs and vulnerable communities. It was also of concern that all discussions on the current agenda items had been held in closed sessions; despite the absence of tangible progress, they requested the Board to at least provide civil society observers with a document summarizing the views expressed on the subject thus far.

266. The Co-Chairs took note of the points raised by Board members and observers.

267. The Board took note of document GCF/B.15/10.

### **Terms of reference of the review of the structure and effectiveness of the independent Technical Advisory Panel**

268. The Co-Chairs brought this matter to the Board's attention and invited the chair of the Investment Committee, Ms. Hughes, to introduce document GCF/B.15/12 titled, "Terms of reference of the review of the structure and effectiveness of the independent Technical Advisory Panel".

269. The chair of the IC expressed gratitude to the members of the IC for their support and contributions to the work of the committee. Emphasizing that improving the effectiveness of the TAP would ultimately lead to the submission of better quality funding proposals to the Board, Ms. Hughes outlined the key elements of the upcoming review, including the standardization of feedback from the TAP and comparison of the GCF with other organizations, and encouraged Board members to participate actively in the review.

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

271. One Board member proposed to replace "implement the review" with "conduct the review" in paragraph (b) of the draft decision. The same Board member also sought clarification as to why the review must undergo preliminary examination by the Secretariat and the IC rather than being submitted directly to the Board in its original state.

272. The chair of the IC explained that the intended role of the Secretariat and the IC was to verify the quality of the independent review prior to its submission to the Board, and not to provide any additional input to the review.

273. The Co-Chairs invited the Board to adopt the amended draft decision.

274. There being no objections, the Board took note of document GCF.B.15/12 and adopted the following decision:

### ***DECISION B.15/06***

*The Board, having considered document GCF/B.15/12 titled "Terms of Reference of the Review of the structure and Effectiveness of the Technical Advisory Panel":*

- (a) *Adopts the terms of reference of the review of the structure and effectiveness of the independent Technical Advisory Panel as set out in **annex II**;*

- (b) *Requests the Secretariat to commission an independent third party to conduct the review of the Technical Advisory Panel's structure and effectiveness in accordance with the terms of reference adopted;*
- (c) *Also requests the Secretariat, in consultation with the Investment Committee, to provide the final report for the consideration of the Board at its seventeenth meeting; and*
- (d) *Notes that the review of the structure and effectiveness of the independent Technical Advisory Panel should take into consideration outcomes of the review of the initial proposal approval process.*

**(d) Consideration of funding proposals, including from the micro-, small-and medium-sized enterprises pilot programme**

275. The Co-Chairs opened the agenda item and introduced document GCF/B.15/13 titled "Consideration of funding proposals" and noted that this agenda sub-item represented the core business of the GCF.

276. They informed Board members that in addition to the funding proposals themselves, there were a number of associated documents, including the Secretariat's assessments of each of the proposals; the TAP assessments; and comments from accredited entities in response to the TAP assessments. The nine proposals requested a total of USD 387.5 million from the GCF. Of these nine proposals, six were from the public-sector (requesting a total of USD 222 million), and three were from the private-sector (requesting USD 165 million).

277. As to the approach, the Co-Chairs informed Board members that this would be different from that taken at B.14. A significant amount of the Board meeting would be spent on considering the proposals in line with the plan for 2016, which allowed for a fourth meeting. The funding proposals would be taken one by one, in numerical order, with the Secretariat, the TAP, and accredited entities on hand to answer questions and concerns. During the informal Board meeting on 12 December, alternate members had had an opportunity to do a 'deep dive' into each funding proposal and to spend time with AEs. A representative of the Secretariat would provide a brief introduction to each proposal. Decisions regarding the proposals would be taken by the Board on the final day of the Board meeting.

278. Several Board members expressed appreciation for the arrangement to consider the funding proposals individually. A Board member wished to know whether having considered the proposals individually a decision would be taken as a package. In responding, the Co-Chairs stated that it would be up to the Board to decide if they approved the proposals as a package or individually. Said Board member stated a preference to work through project by project and then adopt the 'business as usual' approach of approving as a package. Two Board members highlighted the value of the informal meeting that had been held the previous day, noting that the opportunity to meet and hold an interactive discussion with representatives of the AEs submitting funding proposals had been extremely useful. It was well aligned with the GCF aim of improving transparency and promoting better quality funding proposals.

279. The Co-Chairs requested the Board to begin its review of the funding proposals with introductions from the Secretariat and a TAP representative.

**Funding proposal 028 (FP028): "Business Loan Programme for GHG Emissions Reduction" (XacBank Mongolia)**

280. A representative of the Secretariat introduced funding proposal 028 (FP028), which was aimed at reducing carbon dioxide (CO<sub>2</sub>) emissions in Mongolia. They noted that FP028 had been

submitted in response to the RFP for MSMEs and had a strong gender balance component, with 50 per cent of the loans to be granted to women-led MSMEs.

281. A representative of the TAP welcomed the participation of local private sector representatives in the project, noting with appreciation that the accredited entity (XacBank) had an equity department, which put it in a more favourable position than many banks in developing countries, which typically faced capacity restraints. The representative of the TAP also underlined that the Secretariat had worked openly with the accredited entity to address gender issues in the project, and reaffirmed that the project would not only promote women-led MSMEs but also gender-sensitive technologies. In view of the prohibitive cost of greenhouse gas (GHG) monitoring processes for many developing countries, the TAP was in favour of the plan to involve the private sector in establishing GHG monitoring systems. During its assessment, the TAP had raised a concern regarding the long-term maintenance of technology; in response, the accredited entity had agreed to take the issue into account at future stages of the project, including through the involvement of third-party participants. The representative of the TAP commended XacBank on its application and expressed support for FP028.

282. The Co-Chairs thanked the representative of the TAP for their input and opened the floor for comments from Board members.

283. Board members expressed broad support for FP028. Various Board members expressed satisfaction at the proposal's scalable and replicable nature, use of technology, country ownership, alignment with the country's nationally determined contributions and efforts to meet the Sustainable Development Goals, involvement of the private sector, and focus on MSMEs and local communities. One Board member stated that the proposal was well-developed and geared towards the objectives of the GCF. Board members commented that the project would have a significant impact on promoting renewable energy and energy efficiency in Mongolia and would develop the market in a direction that would bring about a real impact on climate change. Another Board member expressed satisfaction that the proposal was the first to have been submitted through the RFP for MSMEs.

284. Many Board members expressed satisfaction at the strong gender component of the proposal; notwithstanding this, a Board member requested that the AE establish specific criteria to define 'women-led' enterprises to ensure that the MSMEs in question were truly owned by women, and a second Board member suggested that the project needed careful monitoring to ensure that its gender goals were met.

285. Two Board members requested that the proposal provide clearer information on leveraging and include clear expected outcomes for the empowerment of women and girls, including in the areas of co-financing and concessionality.

286. Several Board members expressed satisfaction at the project's financial additionality, co-financing and use of concessionality, while a number of Board members requested clarification on the additional value of GCF involvement. A Board member expressed approval for the proposal's intention to leverage soft loans in order to attract additional resources and noted that the project could inspire other countries to adopt similar schemes. Another Board member said that the policy of the GCF was to provide high-concession loans only for public sector activities and wished to know the justification for providing a soft loan to a private sector entity in the case of FP028. A further Board member drew attention to the point raised by the TAP on the need to ensure long-term maintenance of technology, and requested additional information on the sustainability of the project.

287. Another stated that the GCF must ensure that the concessional rates it offered under the project were not used for the benefit of private sector entities, but rather were fully passed on to beneficiaries on the ground, namely MSMEs; two Board members requested to attach a

condition to FP028 stating that the interim rates of the loans given to end users should not be higher than the average of the internal rate of the loan provided by the GCF to the bank. Another Board member said that the terms and conditions provided by the GCF for loans should not be any more favourable than necessary, to ensure the efficient use of GCF funds.

288. A Board member expressed concern that setting up a concessional credit line for MSMEs may not be sufficient to promote renewable energy efficient investments by MSMEs themselves, and suggested that more should be done to strengthen technical assistance and awareness-raising activities under the project and to identify eligible technologies for credits. To that end, they suggested that either a technical assistance grant component could be included in the project, or those activities could be integrated into the Mongolian Sustainable Energy Financing Facility programme.

289. A Board member highlighted the need for the accredited entity to mitigate the risk of non-performing loans. Another member noted concerns regarding the current macroeconomic situation and the risk of fluctuation in foreign exchange rates, but affirmed that the accredited entity appeared to have taken such concerns into account. Another Board member recalled the need for the GCF to operate on a predictable basis, and three Board members wished to know if the project would run a higher risk of failure if a third-party energy savings instrument programme were not included as recommended by the TAP.

290. Two Board members requested further clarification on how the project was linked to potential policies or regulatory reforms to be undertaken by the Mongolian Government to promote energy efficiency. Another asked how the project would strengthen the institutional capacity of Mongolian MSMEs.

291. A Board member said that, according to their own calculations, the cost-effectiveness of the implementation of the project was USD 1,300 per tonne of greenhouse gas emissions prevented, and asked whether this was correct. They also noted that the eight-year duration of the project was a welcome change from the duration of previous projects.

292. A Board member highlighted the need to promote country ownership through effective coordination and consultation with all stakeholders during the preparation of funding proposals. They also underlined the need for projects to have clear additionality and to be sustainable and said that AEs must provide better quality information on project effectiveness, gender responsiveness and value for money, especially with regard to leveraging. Two Board members noted that monitoring and evaluation must be built into a project from the early stages of its development.

293. A PSO active observer expressed support for the project and satisfaction that the funding proposal was being submitted by a DAE from the private sector. They noted with appreciation the project's potential for upscaling and replicability, the explicit statement by XacBank that it intended to continue the project without GCF participation in the future, and the well-designed structure of the project, which would create independent sustainable business activity in the long term.

294. A CSO active observer expressed support for the project, noting with appreciation the intention to pass concessionality on to MSMEs, in particular to women who run MSMEs. They noted that the project could serve as an inspiration to other countries, as long as it was implemented appropriately, with the necessary monitoring and evaluation. The observer wished to know what kind of subprojects would be supported as part of FP028 and requested the explicit exclusion of all fossil fuel related subprojects and all subprojects classified higher than risk category B. While welcoming the focus on supporting women-led businesses, the observer noted that the definition of a 'women-led business' was insufficiently strict, given that according to the proposal, enterprises in which only 30 per cent of directors and 40 per cent of

the workforce were female were still considered to be women-led. In addition, while the proposal included plans for awareness-raising activities, capacity-building and the identification of gender-sensitive technologies, it lacked specific activities and an accompanying budget for that purpose. They also noted that gender action plans must be appropriately funded and project activities should be carried out by competent local organizations and non-governmental organizations, including local women's groups, which should be included in the funding proposal as executing entities and be assigned the necessary technical assistance.

295. A representative of the TAP said that the additionality of GCF involvement in the project resided in its gender component and GHG monitoring. With regard to the CO<sub>2</sub> calculation, while the representative of the TAP did not have specific figures to hand, they believed that the overall CO<sub>2</sub> saving worked out at USD 16 per tonne of CO<sub>2</sub>, which they considered a reasonably good rate.

296. A representative of XacBank said that the project was not a deviation from the bank's core activities, but rather formed part of the fabric of its daily business and involved a standard type of lending which was subject to the bank's strict policies on credit risk. Given that in Mongolia the main factor affecting non-performing loans was high interest rates, the blended funding as described in the proposal would reduce that risk. While green projects and energy efficiency were not typically a priority for MSMEs, the lower lending rates offered by the project could help to address that problem. With regard to profit, XacBank would merely break even under the project; moreover, once the cost of marketing had been taken into account, the project would in fact fall below the bank's benchmark for returns. XacBank provided loans to MSMEs in local currency, not in USD, thus the risk of fluctuation in currency rates was absorbed by XacBank itself. In the context of the banking sector in Mongolia, the pricing offered under the project was very attractive and would help to promote energy efficiency and women-led business activity. With regard to the definition of women-led enterprise, XacBank was aiming to include as many enterprises as possible at the current stage and therefore did not wish to tighten the criteria in case enterprises that could be eligible ended up being excluded.

297. A Board member reiterated a request for the inclusion of a condition stating that the average interest rate offered to end users would be no higher than the average of the bank's usual rate for comparable activities and the rate of the loan provided by the GCF.

298. The representative of XacBank clarified that the minimum concessionality offered by the GCF had been applied in the case of FP028.

299. The Co-Chairs proposed to hold bilateral consultations regarding the proposed conditions and to report back to the Board during later consideration of the current agenda item.

### **Funding proposal 029 (FP029): "SCF Capital Solutions" (DBSA South Africa)**

300. A representative of the Secretariat introduced funding proposal 029 (FP029), which had been submitted by the Development Bank of South Africa (DBSA).

301. A representative of the TAP expressed support for FP029, noting that while supply chain finance was not new to emerging economies, the idea of applying supply chain finance to help a target industry to promote the green economy as part of government policy was a relatively new concept. The TAP judged that the project would have positive outcomes in terms of employment, gender impact and private sector development. A point of concern, however, was the short track record of the investment manager mentioned in the proposal. Notwithstanding this concern, the TAP acknowledged that few managers in South Africa could be expected to have the relevant experience in supply chain finance, which was a relatively new area in the context of that country, and had drawn reassurance from the fact that the Investment Manager

in question had worked on a pilot programme run by the South African Government with the involvement of the accredited entity. In order to mitigate the risk posed by the limited track record of the Investment Manager, the TAP recommended that the funding should be split into two tranches, with the second disbursement being contingent on the successful completion of the first phase.

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

303. Several Board members expressed support for FP029, noting with appreciation its use of innovative financing instruments, programmatic approach and focus on sustainable job creation, energy efficiency and clean energy technology, as well as its efforts to mobilize private sector finance, and the fact that the proposal had been submitted by a private sector DAE. Various Board members said that the project had good potential for transformational impact, with several recalling that projects related to MSMEs were particularly important for developing countries.

304. A number of Board members said that the quality of the document was insufficient, resulting in an unclear and complex proposal.

305. Several Board members wished to know to what extent civil society had been involved in the design of the project and two Board members said that the proposal needed a stronger focus on gender. A Board member said that the proposal's gender action plan was weak and lacked benchmarks and structuring for lending to women.

306. A number of Board members echoed the concerns of the TAP regarding the capacity of the accredited entity (DBSA) and the executing entity (SCF Capital Solutions). A Board member expressed support for the recommendation of the TAP to disburse the funding in two separate tranches. Another said that it would have been preferable for the accredited entity itself to provide co-financing, rather than the South African Government. Another Board member wished to know why the Secretariat and the TAP had rated the efficiency and effectiveness of the programme differently.

307. Several Board members wished to know the difference between 'green' investments and climate investments, and between 'green' energy and renewable energy. One Board member underlined the need to ensure that the technology being financed was the appropriate technology to bring about the desired change. Another expressed concern over the inclusion of sustainable agriculture as a financing area because of doubts relating to its potential climate benefit.

308. Several Board members requested the establishment of a stronger monitoring and evaluation framework for the project. One Board member said that the project lacked a sufficiently robust logic model or results chain. Two Board members asked how climate impact was measured, and one suggested that an entire methodology was needed for that purpose. Another asked what would be the impact of a shorter or longer average loan tenor on the calculation of climate impact.

309. A Board member expressed concern that the proposal was not sufficiently aligned with the overarching objectives of the GCF. Another requested clearer information on the explicit links between the activities on the project and the jobs to be created.

310. A Board member questioned whether the condition proposed by the TAP was the correct one to mitigate the concern regarding the Investment Manager's limited experience. Two Board members said that an investment period of 10 years was too long for a pilot project such as FP029, with one citing the high risk carried by pilot projects. A Board member underlined the need to ensure that the concessionality provided by the GCF was passed on to the beneficiaries of the project, namely MSMEs.

311. A CSO active observer questioned whether the proposal related more to finance than climate change and requested further information on the criteria to be used to classify whether MSMEs were considered as supporting the 'green economy'. While welcoming the fact that the project would give MSMEs equal, if not preferential access to finance than larger enterprises, the observer stated that explicit minimum targets should be set to that effect. The observer asked how the climate impact of the project had been calculated and how ESS would be applied and guaranteed. They also highlighted that the gender action plan was weak, most notably because it lacked a budget line to cover outreach and capacity-building and did not state how the benefits of the project would be shared equally by women and men. Lastly, noting that the proposal provided no information on engagement with NDAs, civil society organizations and other relevant stakeholders, the observer asked how the DBSA intended to engage civil society in the project.

312. A PSO active observer expressed general support for the proposal, noting appreciation for partnerships between direct access entities and private sector firms, while stating that broader participation of private sector entities in South Africa would have been desirable to ensure a higher level of co-financing, replication and scalability. Finally, the observer highlighted the need for the inclusion of consistent and transparent criteria related to the ratio at which the accredited entity (DBSA) would match the GCF contribution, the ratio of the funds at risk between those contributed by the entity and the GCF, the level of concessionality to be passed on to MSMEs, as well as how the currency risk would be dealt with and which party would carry that risk.

313. A representative of the TAP said that its cost-effectiveness and efficiency rating was based on the fact that the GCF contribution was only USD 12.2 million, while the supply chain facility described in the proposal was expected to mobilize USD 34 million worth of investment and noted that in its calculation the TAP had taken into account the background context of the market in South Africa, where the type of transaction proposed would struggle to attract co-financing.

314. A representative of the Secretariat noted that there had been a typographical error in the document and that the Secretariat had in fact rated the efficiency and cost-effectiveness of the project as medium, not low. It had selected the medium rating because it had judged that the private sector co-financing ratio could have been higher.

315. A representative of the DBSA said that while SCF Capital Solutions was a relatively new company, the individuals working in its management team had decades of experience in supply chain finance and the project would be supported by a strong information technology component. Although the DBSA was not specifically a microfinance bank, it did manage projects supporting MSMEs on behalf of other entities, including the Green Fund established by the Government of South Africa. Furthermore, the DBSA was working in partnership with the Small Enterprise Finance Agency, a well-known public entity in South Africa which supported MSMEs across various sectors and had crucial experience in supply chain finance. Prior to the launch of the project, all capacity needs would be appropriately assessed and fulfilled. With regard to terminology, the majority of projects under the pilot programme had related to renewable energy and energy efficiency and had merely been labelled as 'green MSMEs' to fit with the broader mandate of the Green Fund. The representative also clarified that the funding proposal was for an expansion phase of the programme, which would no longer be classified as a pilot and would be focused on climate-specific activities. The DBSA would have a Climate Specialist on its credit committee to ensure that the MSMEs participating in the project were indeed involved in supply chain finance for climate mitigation activities. The DBSA carried out regular monitoring and evaluation operations and had a strong governance structure, including an advisory board on which the GCF would have a seat; the entity was therefore confident that it could guarantee compliance with the relevant monitoring and evaluation requirements. The

representative of the DBSA confirmed that the methodology it had used for measuring climate impact was aligned with international standards and the climate impact targets were aligned with the clean development mechanism approach as adapted for South Africa. For the measurement of energy efficiency, the DBSA had used the methodology of South Africa's National Cleaner Production Centre. Nonetheless, the DBSA would welcome any feedback from the GCF on how to improve its calculation methodology for climate impact and energy efficiency. The contribution of the DBSA towards the project was lower than that of the GCF because the aim of the proposal was to crowd in the private sector by attracting interest from the mainstream banking industry in supply chain finance. The DBSA would take a smaller share of returns than usual and match the concessionality offered by the GCF on loans to MSMEs, which would work out far lower than the standard market rates offered to MSMEs.

316. A Board member asked whether the project would include any fossil fuel based investments.

317. Another Board member noted that the definition of a pilot project was missing from GCF policy; while agreeing that 10 years would normally be too long for the duration of a pilot, the Board member said that in view of the expected long life of the GCF, a funding period of 10 years was reasonable in the case of FP029.

318. A Board member requested clarification as to whether the Secretariat had sufficient resources and capacity to cover the participation of the GCF in the DBSA. The same Board member requested that recommendations 1, 5, 6, 8 and 9 contained in annex I to document GCF/B.15/13/Add.15 – all of which related to the need to take stock at regular intervals throughout the life of the project so as to ensure that the desired progress was being achieved – should be turned into conditions attached to the project.

319. A Board member proposed that FP029 should be recategorized as a mitigation project rather than a cross-cutting one, given that only 10 per cent of the project funds were dedicated to adaptation. The same Board member questioned whether it was realistic to expect developing countries to transition directly to a 'green economy' (which as a concept had no agreed definition) and suggested that gains could initially be made by helping developing countries to transition from solid fossil fuels to liquid, then later to gas. They highlighted the need to remain open to various types of investments that could promote constructive partnerships, rather than dependent relationships, between the GCF and developing countries, and noted that such partnerships could also help to minimize the financial risk of the GCF. Lastly, the Board member underlined that the focus of the GCF should not be on functioning like other investment institutions, but on helping developing countries to fulfil their commitments on mitigation and adaptation. They expressed a concern that perhaps the GCF was using too much of its capital in support of projects which would produce a financial return for the GCF to be recycled for other projects. They proposed developing certain criteria to protect the GCF from becoming just another investment institution.

320. The representative of the DBSA said that the pilot project had been funded by the Green Fund, with the extensive involvement of civil society; moreover, the need for supply chain finance and the creation of an incubator programme had come out of the observations of and requests from industry and civil society. The representative also affirmed that all investments made by the DBSA under the project would be guided by GCF policy; while clean coal investments could be considered if covered by that policy, the DBSA considered it preferable to invest in renewable energy in order to align with the efforts of the South African Government; this approach would also involve a large number of MSMEs. Finally, the trigger effect of the type of funding contained in the proposal should not be underestimated; once the DBSA had funded the initial transactions in the short term, MSMEs would have improved cash flow and be in a

better position to request additional finance for further transactions, thus creating a multiplier effect.

321. The Co-Chairs proposed to continue consultations on FP029 and consider the proposal for approval later in the meeting.

### **Funding proposal 030 (FP030): “Catalyzing Private Investment in Sustainable Energy in Argentina – Part 1” (IDB Argentina)**

322. A representative of the Secretariat introduced funding proposal 030 (FP030), which had been submitted by the Inter-American Development Bank (IDB).

323. A representative of the TAP said that the approach used by FP030 was rooted in the fundamental mission and principals of the GCF: to promote the mainstreaming of mitigation projects into the economy. Other strong advantages of FP030 were its use of a grant fund to promote institutional and private sector capacity, and the fact that the proposal had been linked to the tender without disclosing the availability of the concessional loan from the GCF, thus promoting the sustainability of the programme. Furthermore, the programme was likely to jump-start the renewable energy pathway in Argentina, and had been structured in a way that would strengthen public institutions and the public grid infrastructure, further contributing to the sustainability of the programme. The programme had good replicability and country ownership, as well as an appreciable mitigation impact. While the TAP had not recommended any conditions, it wished to highlight that the Secretariat would require support from a strong project monitoring and evaluation team to be able to perform the due diligence set out in the funding proposal. In conclusion, the TAP recommended that the Board support FP030.

324. A number of Board members expressed support for the proposal, noting that it had a great deal of potential and fulfilled the mission of the GCF to fund transformational change through programmatic approaches. Several Board members praised the intended use of co-financing and concessionality to ensure that GCF funding would catalyse private sector investment. Two more Board members said that the project would advance the efforts of Argentina to include a greater share of renewable energy in its energy mix. A further Board member said that the project could promote progress not only in Argentina but in the southern region of the globe, and would also help the GCF to achieve balance in the regional distribution of its projects.

325. A Board member said that it was difficult to evaluate the efficiency of the project based on the information provided. They noted that the project was in fact made up of two different processes, namely a standard power purchase agreement (PPA) and a separate PPA for debt financing, and asked why such a two-step approach was necessary when a comparable project such as funding proposal 022 (funding proposal 022 (FP022), submitted by the Agency for Agricultural Development of Morocco (ADA), which had been approved at B.14) had used a single-step approach.

326. Several Board members commended the accredited entity on its innovative approach towards integrating gender concerns into a concessional finance project. On the other hand, a Board member said that the gender action plan was not sufficiently ambitious for a country such as Argentina and should be further developed.

327. A Board member asked for confirmation that there would be no overlap between the activities of FP030 and those of Argentina’s Trust Fund for Renewable Energy (FODER), which also provided long-term concessional lending and guarantees. Another Board member stressed the need to ensure that concessionality was passed on to the end users of the project. A third Board member enquired as to how renewable energy solutions could be promoted in the presence of extensive fossil fuel subsidies. A further Board member underlined that the GCF

should not unduly subsidize activities that would already be undertaken without its support, and asked how the IDB would ensure the lowest possible level of concessionality.

328. A Board member noted that the Secretariat had highlighted legal risk as the highest risk of the programme and proposed that the Board adopt the recommendations of the Secretariat on mitigating legal risk and turn them into conditions attached to the proposal.

329. Two Board members expressed concern over the financial viability of the project, stating that a loan tenor of 22 years was too long for GCF participation. One Board member asked if it might be possible to sell the debt earlier than the 22-year deadline as the market developed. Another Board member wished to know how the IDB planned to cooperate with and mobilize the expertise and resources of partner institutions such as the World Bank (WB).

330. A CSO active observer welcomed the proposal, in particular the grant component for capacity-building. Notwithstanding their support, the observer requested reassurance that the IDB would guarantee the application of safeguards and relevant standards, with clear rules to ensure transparency. They also expressed concern that the strict requirements on financial ability and track record would only be met by a small number of international companies, thus precluding the participation of Argentinian companies and the development of a local renewable energy industry; the IDB should therefore define appropriate mechanisms to allow for the participation of local companies. The observer requested clarification on the role of civil society stakeholders in the project, particularly from the spheres of the environment, women's issues and local communities. While welcoming the gender action plan, the observer said that it should be strengthened to ensure the mainstreaming of gender considerations into the RenovAr programme (the Argentine national public tendering programme for renewable energy launched in 2016 to help achieve the objectives of Law 27.191), for example through a learning and experience-sharing component.

331. The Secretariat noted that the legal risk identified in its assessment was standard for all projects in places where the GCF did not have an agreement on privileges and immunities.

332. A representative of the IDB acknowledged that while the bank had implemented a number of projects involving successful gender components, it could not claim to have any recent experience specific to Argentina. The IDB had endeavoured to integrate gender concerns throughout the project, but also remained aware that the project would serve as a learning opportunity; given that mainstreaming gender concerns could mean changing the way business was done in Argentina, the IDB expected to experience resistance from certain sponsors. The IDB had therefore set the target for at least 40 per cent of supported companies to implement gender-equity activities, but would nonetheless aim to achieve 100 per cent compliance. With regard to making renewable energy competitive in the face of fossil fuel subsidies, the representative of the IDB explained that end user energy tariffs in Argentina had been heavily subsidized since the country's 2001-2002 financial crisis; this was impeding the entry of new sources of energy into the energy market. The IDB predicted that it would be at least two years before all subsidies were removed and renewable energy could directly compete with other sources. The representative of the IDB also stated that Argentina's 2015 law on promoting renewable energy had been prepared taking into account the cost of the PPAs to be awarded to FODER, which would be transferred to energy distribution companies and eventually to end users, with a view to making the energy sector sustainable. For the time being, however, commercial lenders were deterred from lending to the energy sector because of its poor creditworthiness; the function of the GCF would therefore be to help to breach the gap until commercial financing became available.

333. With regard to the duplication of efforts between FP030 and Argentina's FODER programme, the representative of the IDB noted that when the renewable energy law had been approved in 2015, the Argentine Government had identified the lack of financing as one of the

fundamental barriers to the success of the tender. For that reason, it had created FODER, which had two windows – one to guarantee the obligation of the off-taker under the PPA, and another to provide financing in cases where it was otherwise unavailable. The guarantee portion of FODER finance was credit-enhanced by a guarantee from the World Bank. This approach served as a strong mitigating factor for the participation of the GCF and IDB in the financing of the project. No decision had yet been made by the Government of Argentina on how to use the window for financing; if it were to emerge that financing could take place without help from the government, the financing window would not be activated. On that basis, the representative of the IDB reaffirmed that there was no overlapping of resources between FP030 and the FODER programme.

334. With regard to the tenor of the commitments, the representative of the IDB stated that the programme, combined with improvements in the macroeconomic conditions in Argentina, would help to reach a point where commercial lending for renewable energy projects flowed into Argentina without the support of the IDB or the GCF. On that basis, the IDB proposed to use GCF resources for two instruments: firstly, direct lending together with IDB, with long-term financing of up to 18 years; and secondly, a guarantee structure in which financing initially came from commercial banks, and then after six or seven years the GCF guaranteed a portion of the obligations. The GCF therefore needed to maintain a long-term commitment; although the funds would be disbursed quickly, repayment could take up to 18 years. As to whether GCF debt could be sold, the representative of the IDB said if the credit rating of Argentina and other market conditions improved, then it was more likely that IDB and GCF loans would be repaid earlier than anticipated.

335. With regard to the selection of sponsors, the representative of IDB said that the bank intended to select investors that had either experience in the energy sector in Argentina or experience in the wind and solar sector, since experience had shown that those investors were most likely to be successful.

336. With regard to the grant financing window, the representative of the IDB said that the grant financing would be used to conduct comprehensive studies assess the current situation in the country and identify the actions that Argentina would need to take to reach the targets set out in its renewable energy law.

337. A representative of the TAP said that the Moroccan project contained in FP022 had been approved with a single bond tranche because it had been based on extremely sound planning; in other countries, many similar projects had failed because they had not separated PPA bids from the debt financing. In view of the low success rate of Argentina's first tender for renewable energy projects, the country was now aiming to use a different approach. A significant advantage of the programme lay in the fact that because investors had not been informed of the concessionality offered by the GCF, they would approach the programme in an aggressive, business-minded manner, which would promote sustainability. In terms of additionality, the representative of the TAP underlined that in the absence of GCF support, the crowd-sourcing of funding for renewable energy would not occur as fast as it would with GCF support, as was demonstrated by the experience of the previous tender.

338. The Co-Chairs proposed to continue consultations on FP030 for consideration by the Board later in the meeting.

### **Funding proposal 032 (FP032): “Enhancing Women and Girls Adaptive Capacity to Climate Change in Bangladesh” (UNDP Bangladesh)**

339. The first public sector proposal was introduced by a representative of the Secretariat who explained its objective to enhance the adaptive capacity of women and girls in a highly

vulnerable area, delivering benefits in terms of improved water supply, enhanced adaptive capacity and institutional strengthening.

340. The representative of the TAP presented the assessment and highlighted, among other issues, technical deficiencies and practical issues such as the lack of information on how water would be collected, or how facilities would be accessed, managed and maintained. On the cash transfers component, while proven effective in the region, the rationale of how it leads to adaptive livelihoods was found lacking. There were further question marks on the implementation arrangements, such as the execution of water-related interventions through the Ministry of Women and Children Affairs of Bangladesh (MoWCA), and the sustainability of outcomes.

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

342. Some Board members expressed support for the proposal, highlighting its high level of country-drivenness and the commitment of limited financial resources, as well as the extreme vulnerability of the country and its focus on the most vulnerable groups: women and girls. In response to the TAP comments on the weak linkage to climate change, they noted the strong link between poverty and vulnerability, which the project would help to alleviate. One Board member highlighted that the pro-poor approach of this project was innovative and was in line with findings from similar activities. Another Board member flagged the increasing challenges that the population would face without the project, including a lack of drinking water, floods and vector-borne diseases. One Board member expressed support for the TAP recommendation aimed at improving the project's sustainability, as that aspect of the proposal seemed to be insufficiently developed.

343. Other Board members, while recognizing the impact on livelihoods of vulnerable groups in Bangladesh, stated that they had major difficulties with approving this as a climate project. Given that it was the role of the Board to ensure optimal allocation of the limited resources of the GCF to climate projects, in particular in the wider context of development finance, other development agencies may be more appropriate to fund some of the project's activities. Some Board members pointed out that the definition of what constituted 'adaptation' was not sufficiently clear, and that this project was a borderline case. They requested that the accredited entity provide a clear case as to why the project met the criteria for a climate project, why the GCF was the most adequate funding source (covering 90 per cent of the cost) and whether efforts had been made to find other sources of funding.

344. More specifically, one Board member stated that, while the component dealing with water systems had a solid link to climate change (notwithstanding other concerns), the cash transfer component involved an important policy question; whether any project in an area vulnerable to climate change was eligible for funding? This was a matter that could be addressed by looking at the division of labour between different funds. In such cases they said that the GCF could fund climate components, while other agencies could fund other components such as poverty reduction, ensuring synergy between these. On this basis, a second Board member suggested that the proposal could be reconsidered at a future Board meeting following further work by the accredited entity.

345. Other questions that were raised concerned the possible duplication with other United Nations interventions in the target area; the technical capacity of MoWCA as delivery partner; the costing, and the technical feasibility of the project, as flagged by the TAP.

346. There was discussion as to the tension between adaptation and development objectives, with several Board members agreeing that there was a need for the GCF to define what type of projects were eligible for funding. Board members generally shared the view that they should not be viewed in opposition but in synergy, but had divergent views as to how to apply this in

the context of some of the project's activities. One Board member mentioned that the GCF should finance projects with climate change objectives as a primary and not a secondary objective. Another stated that there was no legitimate basis to reject the project as there was no agreed upon definition of what constituted climate finance and that, based on a country-driven approach, if the country deals with climate change issues by using cash incentives to initiate longer term behavioural change, then this could be considered paradigm-shifting. Other Board members insisted on the need to ensure that activities generated climate benefits.

347. A CSO active observer welcomed the project, being the first that explicitly considered gender and placed a gender-focused entity in the driving's seat. They expressed concern that there were questions from Board members as to whether this was a climate project or a sustainable development project as it was unrealistic and artificial to separate the two. They considered that access to freshwater in coastal communities is central in the climate change agenda and that the diversification of livelihood options that increase family resources increase resilience. They encouraged the Board to develop a paper on what it considered adaptation.

348. They invited the UNDP representative to take the floor to respond to the points raised.

349. The UNDP representative explained that addressing poverty was the key to the project's sustainability, based on lessons from a previous UNDP programme funded by Canada and from the United Kingdom Department for International Development's report on poverty. They also explained that technical expertise in the executing entity was guaranteed by the presence of engineers in a technical working group and the provision of training. They argued, however, that having MoWCA (chosen as part of a national processes) at the core of operations was critical to achieving the project's outcomes related to women and girls, as they were generally neglected by other departments, that this was a paradigm-shifting element of the proposal, and that capacity gaps had been assessed and would be addressed.

350. They also provided assurance that there was no duplication with other projects, as these focused on disaster management and policy rather than on-the-ground interventions, and were not active in the region.

351. Regarding concerns on operations and maintenance, they stated that maintenance costs were minimal and there was agreement with Union Parishads (local government units) to cover them. Regarding concerns relating to access for a large number of users, they noted that in the experience of UNDP using existing social norms was safer than introducing water access systems that were not tested. They also explained that the Ministry of Disaster Management and Relief of Bangladesh had been involved in project design, and expressed confidence in the capacity of the executing entity to execute the project.

352. The Co-Chairs reminded Board members of the GCF mandate on adaptation and acknowledged that the discussion had no straightforward answer, but noted convergence on the need to support Bangladesh. They suggested that advisers consult in the margins of the Board meeting, and proposed to reconsider the funding proposal the following day.

### **Funding proposal 033 (FP033): "Accelerating the Transformational Shift to a Low Carbon Economy in the Republic of Mauritius" (UNDP Mauritius)**

353. In order to improve efficiency, the Co-Chairs asked Board members to consider the remaining proposals based on the assessments of the TAP and the Secretariat instead of requiring introductions for each funding proposal.

354. One Board member, while supporting the proposal, expressed concern over the statement in the proposal document that the project would ensure energy independence for Mauritius. It was not the mandate of the GCF to help a country to achieve energy independence, and therefore, this should be a co-benefit but never the main aim. The GCF needed to avoid

supporting projects that may have political motives; the energy sector could be too easily politicized.

355. A CSO active observer praised the transformative nature of the proposal and its alignment with Mauritius's nationally determined contributions and national climate plan. They appreciated the proposal's efforts to be more pro-poor by learning from the results of the previous implementation of a feed-in-tariff which ended up benefiting the upper-middle class and upper-class populations. They asked for more transparency on how the subsidy was determined, and how it benefited poor households. On the gender action plan, civil society felt that this could be strengthened by introducing clear goalposts with increasing participation at several points during the 20-year lifespan of the project. Finally, they urged greater elaboration in the proposal on the indirect impacts of the project.

#### **Funding proposal 034 (FP034): "Building Resilient Communities, Wetlands Ecosystems and Associated Catchments (UNDP Uganda)**

356. A Board member expressed some concerns on the number of target beneficiaries, echoing the concern of the TAP on this matter. Another concern was whether there was additionality in the project and complementarity (rather than duplication) vis-à-vis other projects in the area. However, they welcomed the provision by the Government of Uganda of substantial co-financing. A second Board member was similarly appreciative of the high level of co-financing and supported the project, given that Uganda was vulnerable to climate change and had a low income profile.

357. A CSO active observer welcomed the efforts to ensure strong country ownership by aligning the relevant national laws, climate-related policies, strategies and programmes. They also commended the stakeholder engagement and gender focus. They noted that the livelihoods of indigenous peoples and local communities would be affected by the demarcation of wetland boundaries. Such communities were predominantly dependent on wetlands and other natural resources, and stressed the need to ensure that these communities' needs were recognized and specific interventions such as compensation or alternative livelihoods were designed to address key challenges to them arising from the project. They also asked whether the ESS applied would be the highest of those from UNDP, the GCF and the Government of Uganda.

358. As a general remark, the first Board member pointed out that the lack of discussion of some proposals did not indicate that the Board had not analysed them deeply, but was rather a consequence of productive prior discussions, particularly during the informal Board meeting on 12 December among alternate members and advisers. The Co-Chairs echoed this, pointing out the transparency of said process.

#### **Funding proposal 035 (FP035): "Climate Information Services for Resilient Development in Vanuatu (Van CIS RDP)" (SPREP Vanuatu)**

359. A Board member noted that the country targeted was one of the world's most vulnerable to climate change. They commended the proposal as it was based on rigorous scientific analysis. This was something which should be encouraged as it allowed a better understanding of future climate events and the formulation of appropriate adaptive responses. They also highlighted that it was a project by a regional entity and one of the first proposals to undertake the full GCF process starting at the PPF stage. They stated that this vindicated the usefulness of GCF processes.

360. Board members generally supported the proposal, noting the integration with national policies, and its replicability in other SIDS in the region and beyond. One Board member noted that this proposal vindicated the case which had been made to use regional entities where

constituencies did not wish to choose the direct access route because of capacity constraints. They hoped that similar proposals would come from the Caribbean and elsewhere.

361. Several Board members questioned a variety of aspects in the proposal. One Board member expressed what they said was a minor concern at the subcomponent involving scholarships. They wondered how such a policy would ensure that the recipient of the scholarship would stay in the organization after their training, and whether other options such as on-the-ground mentorship might be more appropriate. They expressed preference to approve the proposal without the subcomponent. Another Board member observed that the Governing Instrument made reference to building capacities, and that human capacities such as those built through scholarships were an important part of this. The Co-Chairs recommended that this be further discussed by Board members.

362. Other Board members questioned the high costs, in particular those of radar and project management, with one Board member suggesting that other financial instruments could have been applied taking into account the future opportunities to generate value and recover costs. One Board member also observed a possible lack of impact at the community or user level, depending on how the project was actually implemented. There were also suggestions to learn from similar initiatives and to ensure that the project generated learning opportunities, and that it provided benefits of a regional nature.

363. A Board member asked whether the Board considered scholarship programmes to be eligible for GCF funding. They noted that if a scholarship were approved for funding in this instance, this would send a clear signal to all parties regarding the eligibility of scholarships for GCF funding, and that as a result, similar requests could be included in the budget lines of future funding proposals. The Board member requested that if scholarships were indeed considered eligible for GCF funding, this should be stated explicitly in the decision granting approval to the project.

364. A CSO active observer welcomed the impact of the project in Vanuatu and echoed several points made by Board members, in particular regarding the extent to which beneficiaries and key end users would benefit. For example, the proposal needed to address barriers to beneficiaries accessing the data generated. They noted the overall support from civil society organizations in the country, but also that more time could have been devoted to consultation. In terms of gender, they observed that more attention could have been placed on women-specific barriers to access information and develop skills. They pointed out the lack of a specific budget and a Gender Expert to implement the gender action plan.

365. The representative of the Secretariat addressed the comment on complementarity with other initiatives by explaining that the GCF Secretariat proactively put the Secretariat of the Pacific Regional Environment Programme (SPREP) in touch with the World Meteorological Organization. The World Meteorological Organization had similar hydro-meteorological and climate information service programmes under implementation in order to seek synergies and ensure that lessons learned were applied in the context of SIDS. They also noted the value of the Secretariat documenting and publishing examples of best practice among SIDS in general and in the Pacific region in particular. Regarding pricing, they agreed it was at the upper end of the spectrum, but noted that it included 15 years of operation and maintenance.

366. The representative of SPREP explained that the cost had been budgeted based on previous programmes, that equipment constituted a substantial part of the cost, and that that was relatively cost-effective compared to other programmes funded by the GCF. They further explained that they had tried to look for the most cost-effective delivery partners, and explained the structure of the project management units. They also noted that there were substantial subregional benefits in terms of lesson learning, information platforms and the development of systems that could be used in other countries in the region, for which reason the project was

embedded in a regional platform (the Pacific Islands Meteorological Strategy). Regarding the scholarships subcomponent, they stated that it was a critical part of the exit strategy, but conceded that there were no assurances that the expertise accumulated could be kept in the organizations, and that a mentorship strategy could be considered.

### **Funding proposal 036 (FP036): “Pacific Islands Renewable Energy Investment Program” (ADB Pacific)**

367. A Board member opened the discussion by highlighting the need for programmatic approaches to address the transition to low-emission development pathways in Pacific island countries. They also highlighted the very strong ownership from these countries, as was apparent at the Structured Dialogue in the Pacific where the proposal originated.

368. Board members were widely supportive of the proposal. Among its positive aspects, they highlighted its potential catalytic effect for private sector investment (usually hampered by the lack of scale of projects in these SIDS), its holistic approach involving energy policy and on-the-ground interventions, the economies of scale in the programme approach, the high level of national and regional support and relevance to meet the countries’ renewable energy strategies and sustainable development goals, the opportunities to apply lessons learned in new subprojects, and its replicability in other areas, including Africa.

369. Several Board members observed, however, that some of the activities involving project preparation should be addressed through the PPF funding window. They suggested those activities should be removed from the proposal. There were also questions raised regarding some of the pricing assumptions, with requests for more information on the cost breakdown, and the low share of co-financing, including from the accredited entity.

370. A CSO active observer also commended the high level of country ownership. They noted that the no-objection letter from the Cook Islands was missing in the original funding proposal package, to which the Secretariat clarified that the oversight had been corrected and the package re-uploaded to the GCF website. The observer stated that reform of electricity tariffs should form part of the project. Such reform should be done in a way to guarantee that the new electricity tariff structure would include some affordable options so as not to exacerbate energy poverty. They expressed concern that the proposal showed project financing, including loans to Tonga and Papua New Guinea, both of which had high levels of gross domestic product to debt. This would not set a good precedent for GCF funding to SIDS and the LDCs. In order to be transformative in nature, Pacific SIDS had been consistent in stating that for the LDCs and SIDS, climate finance must be 100 per cent in the form of grants and not loans, so as not to increase the already chronic debt burden. They stressed that the Cook Islands approach should not simply be replicated in other countries for phase 2 but should be based on country needs. Finally, they requested that the gender analysis be reworked.

371. In the light of comments received the previous day during the informal Board meeting, a representative from the Asian Development Bank (ADB) proposed an option where the USD 5 million approved allocation from the ADB, which was currently allocated to capacity-building and sector reform, be switched to project preparation. The GCF allocation would then be used for financing capacity-building and sector reform. This would reduce the GCF USD 10 million allocation to USD 5 million. This would leave a USD 5 million funding gap for the project preparation of components. It was proposed that the additional USD 5 million would be covered at a later stage either by ADB financing or external financing. This would allow the ADB to proceed immediately with the preparation of the feasibility studies, while retaining the regional approach which allows the capacity-building and sector reform vital to achieving regional benefits. The option had been discussed with participating SIDS and they were in agreement with this approach. On the avoidance of duplication, they acknowledged the crowded nature of

the development sector in the target countries. However, they explained that it has been presented twice to, and received support from, the Energy Working Group composed of sector experts working in the region. They took note of the comments and committed to ensuring that there was no overlap with other projects in the future. Regarding the improvement of the logframe, the ADB representative noted that this had already been discussed and would be provided to the Secretariat as soon as possible.

### **Funding proposal 037 (FP037): “Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa” (UNDP Samoa)**

372. There was support for this proposal from Board members which comprehensively addressed the recurring issue of flooding. There was also an acknowledgement that it had originated in the GCF Structured Dialogue for the Pacific Islands held in August 2016 in Suva, Fiji. It was clearly embedded in the country’s strategic plan with a high level of country ownership and would build capacity for early warning systems. One Board member stated that the growing number and intensity of hurricanes was a reality for the Pacific, SIDS in the Caribbean and countries in Central America. While one Board member welcomed the involvement of the Ministry of Finance of Samoa another wondered if the Flood Ministry of Samoa should be the responsible ministry.

373. Board members stated that the site visit on 12 December had provided an excellent opportunity to observe the impacts of flooding and climate change in Samoa. They praised the proposal for addressing those urgent challenges.

374. Echoing the TAP assessment, a concern was expressed by a Board member at the lack of detail in monitoring and evaluation. Improving the monitoring and evaluation framework would help to ensure that lessons were learned and shared. One Board member praised the subcomponent involving loans to farmers for productive activities contributing to flood risk management.

375. A CSO active observer expressed strong support for the proposal and welcomed the involvement of local organizations in its development. They suggested that there was room for improvement in addressing gender, for example ensuring that training was available for both women and men, or providing targets for the number of women who would receive microfinance.

376. The representative of the Secretariat confirmed that they had taken note of the comments on monitoring and evaluation, and suggested consulting further with Board members to include a condition to this effect.

377. The Co-Chairs stated that the Board would return to the agenda sub-item on the final day of the Board meeting.

378. On 15 December, the Co-Chairs reopened agenda sub-item 14(d) and invited the Executive Director ad interim, Mr. Manzanares, to take the floor.

379. Mr. Manzanares informed the Board with respect to funding proposal 032 that the Secretariat had been advised by UNDP that, in the light of the Board’s discussions on 13 December, it wished to pursue further work on the proposal, utilizing the technical expertise of the Government of Bangladesh. They also explained that the NDA had been made aware of this via the UNDP country office, and that UNDP with the Government of Bangladesh intended to resubmit the revised proposal at B.16.

380. The Co-Chairs noted that the proposal had many strengths, including its focus on women and girls and its adaptive capacity in relation to climate change. They noted the

comments from the Executive Director ad interim that it was the intention of UNDP with the Government of Bangladesh to bring the proposal to the first Board meeting in 2017.

381. With respect to the rest of the decision on agenda sub-item 14(d), the Co-Chairs commended the work carried out by the advisers to address the comments made during the Board's review of the funding proposals on 13 December and the robust consultations with all stakeholders, including active observers, AEs and the Secretariat which was reflected in the draft decision. They further explained the process of considering funding proposals individually; starting from those that received the smallest number of comments.

### **Approval of Proposals**

382. FP028 (XacBank Mongolia), FP 034 (UNDP Uganda) and FP 037 (UNDP Samoa) **were approved without further comments.**

383. In the context of the latter, one Board member asked that it should be a general condition for all proposals that concessionality be always passed to final beneficiaries.

384. At that point, and with respect to the withdrawn proposal from UNDP, one Board member sought clarification as to whether a communication had been received from the NDA confirming that it had no issues with the withdrawal, noting that if this had not been received, it could undermine the GCF principle of country ownership. Another Board member clarified that the response had been received.

385. **FP030 (IDB Argentina)** and **FP035 (SPREP Vanuatu)** were then approved. Regarding the latter, one Board member raised questions as to the timeline for rolling out the facilities. The Secretariat clarified that the construction period for each facility would be three years, the grace period, six months, and the repayment period, 15 to 18 years, for a total average length of 21.5 years.

386. Finally, **FP029 (DBSA South Africa)**, **FP 033 (UNDP Mauritius)** and **FP 036 (ADB Pacific)** were also approved. The Co-Chairs noted that approving FP029 with the conditions proposed would imply reclassifying it as a mitigation, rather than a cross-cutting project.

387. These eight proposals were thus all approved with the conditions presented in the draft decision.

### **Role of the Secretariat**

388. Co-Chairs informed the Board that they now intended to move to the remaining elements of the draft decision related to the consideration of funding proposals but not specific to individual funding proposals. In particular, they referred Board members to paragraph (j) which had been added to reflect comments from Board members, empowering the Secretariat to work with AEs to ensure that funding proposals brought forward met the expectations of the Board in terms of quality.

389. Some Board members suggested that there was no need for the paragraph, as it was stating the obvious. One Board member objected to it, due to its apparent linkage with the discussion that had ended with the decision by the AE (UNDP (FP032)) to take the proposal back for further work with the Government of Bangladesh. A second Board member noted that it involved asking the Secretariat to make judgment calls, but that the Board had no system in place for this. They noted that this was the first time the Board had disapproved a project and so set an important policy precedent. The Board member observed that the proposal could not have come forward without a no-objection letter from the NDA. Now the Board was asking an AE to take the proposal back and resubmit it. They wondered about the Board's policy on resubmittal if the proposal was still not approved and what signal this sent to AEs. Furthermore,

when the AE resubmitted the funding proposal, said Board member wondered if the AE needs to resubmit a no-objection letter.

390. A third Board member stated that the paragraph could create confusion, pointing out that it did not provide guidance on what happened if the Secretariat faced policy gaps. They stated that the Secretariat should not use its judgment where no policies existed to guide their assessment of a proposal. Another Board member stated that the paragraph was linked to the proposal approval process, and should be considered under that agenda item.

391. Other Board members, however, supported the inclusion of paragraph (j) on the grounds that, while it reflected the existing process, it would give confidence and empower the Secretariat to use their combined expertise to ensure that the proposals brought to the Board met the Board's quality standards. One Board member argued that this was particularly relevant in order to ensure strong results that the GCF could showcase. Two Board members suggested replacing the word "request" with a softer one, such as "encourage".

392. With respect to the withdrawn proposal, one Board member emphasized that the Board did not ask the project to be withdrawn, noting again its positive aspects. They stated that AEs must have the right to undertake further work when they considered it appropriate. They encouraged the Board to hold discussions on what procedures to follow in such cases.

### **Consideration of policy matters**

393. On other matters, one Board member expressed concern at the fact that much of the rich discussion had not been reflected in the draft decision. They proposed that, in the future, decisions under the "Consideration of funding proposals" agenda item could include, in addition to the decision itself, a summary of policy issues arising from the consideration of such proposals; otherwise, some of the rich discussion on important issues, such as eligibility criteria, would risk not being captured. They also pointed out that, at the time when the agenda was adopted at the last Board meeting, they had already suggested having a standing item where the Secretariat presented general issues encountered in the review that should be resolved before the consideration of the respective proposal. This point was acknowledged by the Co-Chairs.

394. The Board member's proposal received support from others, but it was suggested that more time may be appropriate to reflect on it and consider where such policy development issues might best be captured. One Board member suggested that the Co-Chairs and Secretariat keep a running tally of these issues, and those identified by the TAP, so that they can be readily considered when the Board had a strategic retreat. Such issues could include eligibility criteria—for example, to what extent the GCF should fund educational opportunities, and the nature of adaptation projects and adaptation itself.

### **Presentation of funding proposals**

395. One Board member also requested that the way conditions were presented was revised so that it was clear which were proposed by the Secretariat and which by the TAP, but which also clearly demonstrated that it was solely the Board which had the mandate to impose conditions. They also noted that the number of conditions should be reduced in the future.

### **Amendment of the draft**

396. The Co-Chairs proposed to remove paragraph (j) and to capture the comments made by Board members in the report of the meeting, rather than in the decision.

397. With regard to the point on the tracking of policy matters, they proposed to add a request for the Co-Chairs to consider how to address the policy issues arising during the discussions of the funding proposals at B.15 for its consideration at B.16.

398. This proposal was supported by Board members who had raised comments on this point. One of them suggested making the draft decision text slightly firmer by requesting the Secretariat to compile a list of the issues raised and for the Co-Chairs to propose a process by which the Board might address them in the future. Another Board member asked to refer in the draft decision to a specific section in the report of the meeting where these issues would be captured. A third Board member proposed that the Secretariat prepare a short document which listed the issues, and identified a place in the work plan, once the Board has approved such a plan, where these issues would be dealt with.

399. The Co-Chairs presented a revised draft decision removing paragraph (j) and adding two additional paragraphs (1) requesting the Co-Chairs to compile a list of policy matters arising from the consideration of funding proposals at B.15 for inclusion in the report of the meeting, and (2) further requesting the Co-Chairs to present a proposal to address these matters at B.16.

400. Before the draft decision was presented to the Board by the Co-Chairs for adoption, the Co-Chairs had offered the floor to Mr. Elisaia, the Board member from Samoa, to make some closing remarks about the work undertaken by the Board in Samoa. He observed that the item on funding proposals was always a tense time for the Board but that the discussions had concluded in a most positive way. Said Board member wished to record his thanks to the Board, the Secretariat, the TAP, AEs, and NDAs and all who had facilitated the decision-making process; this had allowed the Board to take historic decisions in the Pacific. Mr. Elisaia noted that it was difficult to express in words what the heart felt. Four out of the eight funding proposals were for SIDS: the Cook Islands, Mauritius, Samoa and Vanuatu. One was submitted by a regional organization, which the Board member stated vindicated their advocacy for this approach. Without that it would have been a mammoth task for these island's national agencies to achieve accreditation. It was a happy coincidence that the funding proposal from Samoa was presented at the same time as the Board meeting took place in Apia. The Board member thanked everyone for accepting the invitation to hold B.15 in Samoa.

401. The Co-Chairs thanked the Board member for his remarks and thanked the Board for the constructive way in which they had approached the discussions.

402. The decision was adopted without any further objections, and the item was closed.

403. The list of policy matters compiled by the Co-Chairs is attached to this report as annex XIX to this report.

### ***DECISION B.15/07***

*The Board, having considered document GCF/B.15/13 titled "Consideration of funding proposals":*

(a) *Takes note of the following funding proposals:*

- (i) *Funding proposal 028 titled "Business Loan Programme for GHG Emissions Reduction" by XacBank LLC, as contained in document GCF/B.15/13/Add.11/Rev.01;*
- (ii) *Funding proposal 029 titled "SCF Capital Solutions" by the Development Bank of Southern Africa, as contained in document GCF/B.15/13/Add.12/Rev.01;*

- (iii) *Funding proposal 030 titled “Catalyzing Private Investment in Sustainable Energy in Argentina – Part 1” by the Inter-American Development Bank, as contained in document GCF/B.15/13/Add.13/Rev.01;*
- (iv) *Funding proposal 033 titled “Accelerating the Transformational Shift to a Low-Carbon Economy in the Republic of Mauritius” by the United Nations Development Programme, as contained in document GCF/B.15/13/Add.06 and 18;*
- (v) *Funding proposal 034 titled “Building Resilient Communities, Wetlands Ecosystems and Associated Catchments in Uganda” by the United Nations Development Programme, as contained in document GCF/B.15/13/Add.07 and 18;*
- (vi) *Funding proposal 035 titled “Climate Information Services for Resilient Development in Vanuatu (Van CIS RDP)” by the Secretariat of the Pacific Regional Environment Programme, as contained in document GCF/B.15/13/Add.08 and 18;*
- (vii) *Funding proposal 036 titled “Pacific Islands Renewable Energy Investment Program” by the Asian Development Bank, as contained in document GCF/B.15/13/Add.09 and 18; and*
- (viii) *Funding proposal 037 titled “Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa” by the United Nations Development Programme, as contained in document GCF/B.15/13/Add.10 and 18;*
- (b) *Decides to approve funding proposal 028 for the amount of USD 20,000,000, submitted by XacBank LLC, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (c) *Also decides to approve funding proposal 029 for the amount of USD 12,222,222, submitted by the Development Bank of Southern Africa, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (d) *Further decides to approve funding proposal 030 for the amount of up to USD 133,000,000, submitted by the Inter-American Development Bank, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (e) *Decides to approve funding proposal 033 for the amount of USD 28,210,000, submitted by the United Nations Development Programme, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (f) *Also decides to approve funding proposal 034 for the amount of USD 24,140,000, submitted by the United Nations Development Programme, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (g) *Further decides to approve funding proposal 035 for the amount of USD 22,953,000, submitted by the Secretariat of the Pacific Regional Environment Programme, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (h) *Decides to approve funding proposal 036 for the amount of USD 17,000,000, submitted by the Asian Development Bank, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (i) *Also decides to approve funding proposal 037 for the amount of USD 57,718,000, submitted by the United Nations Development Programme, subject to the conditions set out in **annex III** and in the respective term sheet set out in **annex IV**;*
- (j) *Requests the Co-Chairs to compile a list of policy matters arising from the consideration of funding proposals at the fifteenth meeting of the Board for inclusion in the report of the meeting;*

- (k) *Also requests the Co-Chairs to present a proposal to address these matters for the Board's consideration at its sixteenth meeting;*
- (l) *Reaffirms that pursuant to annex VII to decision B.07/03, the Executive Director or his designee is authorized to negotiate and enter into legal agreements on behalf of the GCF with accredited entities and other parties involved in respect of funding proposals approved by the Board, taking into account any condition set by the Board in this decision and in the decision accrediting the relevant accredited entity; and*
- (m) *Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the interim policy on fees for accredited entities adopted by the Board pursuant to decision B.11/10.*

## **Agenda item 15: Staffing of the Secretariat**

404. The Co-Chairs opened the agenda item and drew the attention of the Board to document B.15/14 titled "Report on the status of staffing of the Secretariat".

405. The Co-Chairs invited a representative of the Secretariat to take the floor.

406. A representative of the Secretariat presented a summary of the document, outlining the current staff numbers, expected increase in staff numbers by the end of 2016 and 2017 respectively, number of offers of employment made and declined during the reporting period, and the geographical and gender distribution of staff. From feedback it was clear that staff, and candidates for positions at the GCF, were engaged by the GCF mission. At the same time the location of the GCF Headquarters in Songdo, Incheon, Republic of Korea, was a constraint, particularly for families, and work was ongoing, including through the review of Human resource guidelines, to address this issue as it was clearly a factor in recruiting and retaining international staff. The representative also drew attention to the draft decision, which contained a request to create and staff the position of Director of Communications, Outreach and Partnerships.

407. The Co-Chairs thanked the representative of the Secretariat for their presentation and invited the chair of the Budget Committee, Ms. Caroline Leclerc, to take the floor.

408. Ms. Leclerc commended the work of the Secretariat on staffing and said that, based on its review of the report, the committee had identified the number of resignations and job offers declined as a matter for concern. However, it was recognized that the upcoming review of the Administrative guidelines on human resources would play an important role in helping to alleviate staffing difficulties. The Budget Committee noted with satisfaction the improvement in the gender balance among international staff and drew the attention of the Board to the continual decrease in the number of consultants at the GCF since the thirteenth meeting of the Board. The Budget Committee recommended a two-phase approach to resolving the GCF communications and outreach problems: firstly, by creating and staffing the position of Director of Communications, Outreach and Partnerships; and secondly by assigning the new Director with the task of developing a strategy to tackle the problems of the GCF with regard to communications. The chair of the Budget Committee confirmed that following approval of the draft decision, the Secretariat would develop the terms of reference for the Director of Communications, Outreach and Partnerships position, for review by the Budget Committee.

409. The Co-Chairs thanked the Ms. Leclerc for her introduction and opened the floor for comments.

410. Board members thanked the representative of the Secretariat for their clear presentation and expressed appreciation to the staff of the Secretariat for their valuable work in challenging circumstances, including the efforts of the Secretariat to recruit additional staff. A Board member paid particular tribute to the Executive Director ad interim for his efforts to finalize the recruitment of new staff.

### **Staff recruitment**

411. A Board member expressed satisfaction at the increase in staffing in key areas such as risk and portfolio management. Two Board members noted the urgent need to recruit middle managers, underlining the key role of such staff in any institution.

412. A Board member questioned whether the target of reaching 100 staff by the beginning of 2017 might be a little optimistic.

413. Another Board member proposed that the Secretariat continue its efforts to recruit talented staff, in particular staff from recipient countries, who would be able to give a unique insight into the relevant national contexts and requirements. The Board member also highlighted the need to strengthen training, especially for newly-appointed staff.

414. A further Board member suggested that only positions that had been identified as urgent should be filled until the incoming Executive Director could review the Secretariat's staffing needs, and that once the target of 140 had been reached the incoming Executive Director should take stock of the situation.

415. A number of Board members wished to know how many staff would be required to fulfil the mandate of the GCF and how long it would take for Secretariat capacity to cease to be an issue of concern.

### **Review of the Administrative guidelines on human resources**

416. Several Board members stressed the importance of the upcoming review of the Administrative guidelines on human resources, with one expressing disappointment at the delay in conducting the review. Various Board members called for Secretariat staff to be consulted as part of the review, so as to promote a sense of ownership of the guidelines among staff and to create an inclusive culture where staff felt that their opinions were valued. Two Board members highlighted that the incoming Executive Director would be able to play a key role in advancing the review.

### **Barriers to recruitment and retention**

417. A number of Board members wished to know the reasons why potential staff had turned down offers of employment at the GCF and current staff had resigned from their positions; one Board member asked the Secretariat if it conducted exit interviews to collect and analyse such information, and another enquired as to whether the location of the headquarters was definitely a contributing factor.

418. A Board member acknowledged the host government's endeavours to build a city that would attract residents from abroad and accommodate the concerns raised by the GCF regarding the attractiveness of Songdo as a place to live for international staff. Another Board member recalled the willingness of Gale International, the company responsible for the development of Songdo, to strive to make the city a welcoming place for international employees.

419. Another Board member noted that international staff were attracted to many locations considered as 'hardship locations' – a classification which did not apply to Songdo – as well as places where staff spouse employment or visas posed difficulties, and suggested that the location of the GCF should not be assumed to be the principal reason why offers of employment were refused.

420. As part of efforts to address the challenges faced by staff living in Songdo, two Board members suggested that the Secretariat make efforts to exchange views and hold social events with the various private, public, international and academic institutions in Songdo.

### **Communications and outreach**

421. A Board member welcomed the proposal to appoint a Director of Communications, Outreach and Partnerships, highlighting nonetheless that communications and outreach were a shared responsibility which should not be neglected by the operational departments of the GCF.

422. Another Board member asked whether an analysis had been carried out on the effectiveness of posting employment vacancies on the GCF website versus using recruitment firms. Others highlighted the key role of word of mouth in advertising job vacancies and suggested that Board members should strive to disseminate information about GCF vacancies to people in their professional networks, and that national governments could be persuaded to advertise GCF vacancies to civil servants free of charge.

### **Staffing structure**

423. A Board member underlined the need for a comprehensive review of the staffing structure of the Secretariat. Several others requested the Secretariat to compile an organizational diagram showing the current and expected staffing structure and clearly indicating how the various functions of the Secretariat corresponded to the different staff positions and departments.

424. A Board member recalled a request made at the previous Board meeting for the recruitment of a Deputy Executive Director or equivalent. They suggested that pending the appointment of a Deputy Executive Director, a General Manager could be recruited to run the day-to-day affairs of the Secretariat and act as adviser to the Executive Director and the Heads of the Independent Accountability Units. The Board member proposed to consult other Board members and possibly bring a written proposal on the issue for consideration by the Board at a later point in the current meeting.

425. Another Board member argued that priority should be given to recruiting middle managers before considering the appointment of a Deputy Executive Director or equivalent.

### **Response from the Secretariat**

426. A representative of the Secretariat confirmed that exit interviews were held when staff resigned. According to the information provided in those interviews, a range of individual and personal reasons lay behind the resignations. Nonetheless, trends had been identified relating to the location of the Secretariat and family concerns; some candidates and staff were reluctant to relocate their families to Songdo and ended up refusing job offers or resigning from their posts as a result. Prior to accepting an offer of employment, candidates were invited to visit Songdo and view the available accommodation and schools; some candidates had turned down offers following such visits. While the obligation for staff to start on the minimum rung of the salary ladder for each pay grade had been identified as another dissuasive factor, it was worth considering that financial incentives may not be sufficient to counteract people's reluctance to

relocate their families to Songdo. All the aforementioned factors would be taken into account in the revision of the Administrative guidelines on human resources, and the Secretariat would continue its efforts to advance learning and adopt flexible policies to promote a positive work-life balance for staff.

427. The Co-Chairs took note of the comments made by Board members and invited the Board to adopt the draft decision contained in annex I to the document.

428. A Board member said that they were not prepared to adopt the draft decision. Recalling their earlier proposal, they proposed to hold consultations to draft a proposal on the appointment of a Deputy Executive Director for consideration by the Board the following day.

429. The Co-Chairs took note of the Board member's proposal and agreed that the Board would consider it the following day. In the meantime, they invited the Board to approve the creation and staffing of the position of Director of Communications, Outreach and Partnerships.

430. A Board member reiterated the urgent need to appoint a Deputy Executive Director and reaffirmed that they were not prepared to adopt the draft decision in its current form.

431. The Co-Chairs clarified that they intended to consider the proposal regarding the appointment of a Deputy Executive Director under agenda item 25, "Other matters", rather than under the current agenda item. On that basis, they asked if the Board was willing to adopt the draft decision on the creation and staffing of the position of Director of Communications, Outreach and Partnerships.

432. A Board member reaffirmed their opposition to the adoption of the draft decision.

433. The Co-Chairs took note of the comments made by Board members and adjourned the item.

434. On the final day of the meeting, the Co-Chairs reopened the agenda item and proposed the inclusion in the draft decision of the following text:

The Board recalls paragraph 23 of the Governing Instrument and decision B.05/10 related to the structure and functions of the Secretariat; requests the incoming Executive Director to prepare for consideration by the Board at its sixteenth meeting a revised secretariat structure, organizational diagram, and a staffing table covering the core operating and other relevant functions of a flexible and efficient Secretariat, as well as the cost, procedure, time frame and process for implementing the revised structure and organisation.

435. The Co-Chairs invited the Board to adopt the revised draft decision as stated and opened the floor for comments.

436. Board members entered into a discussion regarding the length of time required for the incoming Executive Director to perform an adequate assessment of the staffing needs of the Secretariat and submit a proposed new structure. Some Board members emphasized the need to give the incoming Executive Director sufficient time to recruit staff to key positions and familiarize himself with the functioning of the GCF before submitting a proposal to the Board on a revised staffing structure for the Secretariat. Suggestions were made to postpone consideration of the revised staffing structure from B.16 to B.17 or B.18. On the other hand, some Board members called for the proposed new structure to be submitted for consideration by the Board as early as possible, namely at B.16 as originally proposed, with one Board member noting that it may take time to revise the proposed structure before it gained the Board's approval.

437. In response to a query from a Board member as to what was meant by a "flexible" Secretariat, the Co-Chairs said that the word "flexible" was intended to ensure that the structure

was able to respond to the priorities and requirements of the GCF. They noted that some of the wording of the draft decision had been taken from annex XV to decision B.05/10 (annex XV to document GCF/B.05/23) on the initial structure and organization of the GCF and offered to delete the word “flexible” if Board members so wished. In order to resolve any ambiguity, Board members proposed replacing the word “flexible” with “high-performing”, “effective” or “efficient”.

438. Two Board members stressed the need to ensure that the revised structure was based on the initial structure which had been approved in decision B.05/10 and expressed the particular wish that the post of Deputy Executive Director (or an equivalent position), which currently remained vacant, should be maintained within the new staffing structure. They highlighted that a Deputy Executive Director was required not only to facilitate a smooth transition between the outgoing and incoming Executive Director and Co-Chairs but also to attend to the business of the Executive Director while he or she was away from GCF Headquarters. On that basis, the Board member requested the inclusion in the draft decision of an explicit request to the incoming Executive Director to fill the post of Deputy Executive Director as a matter of priority.

439. Other Board members were in favour of allowing the incoming Executive Director to decide freely on the staffing structure that they deemed appropriate. For clarification, a Board member asked whether the position of Deputy Executive Director had indeed been included in the initial staffing structure.

440. The Executive Director ad interim confirmed that the initial staffing structure as set out in decision B.05/10 included the combined position of Country Programming Division and Deputy Director, as well as the position of Director of External Affairs.

441. The Co-Chairs underlined that the incoming Executive Director had already been consulted on the proposal to submit the proposed staffing structure at B.16. However, in view of the concerns expressed by Board members on the time needed for the incoming Executive Director to carry out a meaningful review of staffing, they suggested that the Board request the submission of the proposed structure for consideration “no later than B.17” by way of compromise. The Co-Chairs also took note of the points raised by Board members on the position of Deputy Executive Director and recalled that the incoming Executive Director was present at the meeting and would take account of the comments made by Board members when considering the new staffing structure.

442. The Co-Chairs suggested amending part of the draft decision to read:

requests the incoming Executive Director to prepare for consideration by the Board, no later than its seventeenth meeting, a proposed Secretariat structure, organisational diagram and a staffing table covering the core, operating and other relevant functions of an efficient Secretariat, as well as the cost, procedure, time frame and process for implementing the proposed structure and organization.

443. Board members also discussed whether the language of the draft decision should be adapted to reflect the fact that an existing structure was being adapted rather than an entirely new one being proposed, for example by replacing “proposed structure” with “revised structure”, or adding the words “building on the existing structure”.

444. In the absence of consensus, no decision was taken by the Board on the agenda item.

445. The Board took note of document GCF/B.15/14.

## **Agenda item 16: Status of resources from the Initial Resource Mobilization**

446. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/Inf.11 titled “Status of the Initial Resource Mobilization process”.
447. The Co-Chairs opened the floor for comments from the Board.
448. There being no comments, the Board duly took note of document GCF/B.15/Inf.11.

## **Agenda item 17: Competitive process for the selection of the permanent Trustee**

449. The Co-Chairs opened the agenda item and introduced document GCF/B.15/15/Rev.01 titled “Competitive process for the selection of the Permanent Trustee”. They apologized for the late distribution of the document to the Board and opened the floor for comments.
450. A CSO active observer welcomed the paper and made a number of suggestions:
- (a) The TOR should explicitly ask potential trustees to offer the option of a fossil-free investment portfolio;
- (b) Noting that annex II to the document pointed out the lack of a GCF investment policy, they requested that the draft decision be amended to include a paragraph requesting the Secretariat and/or the consultant reviewing the role of the Interim Trustee to draw up a GCF investment policy on the use of its undisbursed funds, for consideration at B.16.
451. The Board member from Japan raised an issue affecting their country and some other contributor countries. Under Japan’s legal structure, if the government wished to deposit substantial money in a fund, this had to be done through international financial institutions which had agreements with the Bank of Japan. The same applied in the case of the GCF. The Government of Japan had been making contributions to the GCF by depositing promissory notes to the account of the Interim Trustee, namely the WB, which had been working well. The government wished to secure future contributions in line with its legal structures and to be protected from unnecessary legal actions. They proposed new text to be added to paragraph (a) of the draft decision as follows: “recognizing the need for Trustee selection criteria to ensure that donors maintain the ability to continue to contribute to GCF and that assets of GCF benefit from international privileges and immunities”.
452. In the ensuing discussion, a Board member stated that, aside from the fact that the terminology should be “contributors” and not “donors”, a broader principle was involved, namely that the Initial Resource Mobilization (IRM) policy precluded attaching conditions to contributions. As a result, it was not acceptable to add conditions to the selection of the Permanent Trustee. Another Board member took the view that the position expressed by the Government of Japan was not an attempt to impose a condition on contributions; it was about generating additional non earmarked contributions. They stated that, having consulted with their government, the question of privileges and immunities had been previously discussed during the IRM process. They were somewhat at a loss to explain to their constituency the need for this new text, given that the Board had no performance issues with the current Interim Trustee as shown by the recent performance review. However, they recognized the history of this matter. Another Board member echoed the view that this was not about conditionality. The Co-Chairs stated that their understanding was that this was about ensuring the government concerned could continue to make its contributions while complying with its legal structures.

453. One Board member stated that, while understanding the concerns of the Board member from Japan, they could not see the connection between the TOR and the additional text proposed. They suggested that the substance of the proposed additional paragraph should be reflected in the paper to be prepared by the Secretariat and in the announcement inviting bids for the Permanent Trustee, which the Board would discuss at the appropriate time.

454. Others supported the view that this could be incorporated in the TOR, rather than in the draft decision, as well as recording it in the report of the meeting. Another Board member expressed concern at downgrading this issue to be recorded solely in the report. Given that potential trustees must have a record of managing large trust funds, another Board member expressed support for the proposed decision with a new paragraph (b):

requests the Secretariat to include in the development of the TOR, that the entities applying for the function of Trustee will provide proof of their capacity and experience in the management of trust funds of the size of the GCF Trust Fund and were protected through appropriate agreements on privileges and immunities protecting the GCF Trust Fund in litigation cases.

455. These criteria were essential if the GCF wished to attract significant funds from contributors. Secondly they sought clarification from the Secretariat on the phrase “assistance in the arrangement of fixed income instruments” in paragraph 9(e) of document GCF/B.15/15/Rev.01, stating that the meaning of this phrase was not clear to them. The Executive Director ad interim responded that in relation to paragraph 9(e) of the document, the Trustee may be able to offer services to assist the GCF in the issuance of fixed-income products, such as bonds, if there was ever a need to do so. Another Board member stated that such a function should not be a function of the Trustee, noting that this did not need to be decided at the current meeting.

456. In relation to paragraph (a) of the draft decision, the Executive Director ad interim also noted that GCF assets were being held not only by the Trustee, but also by accredited entities. This would imply that privileges and immunities needed to be conferred by those countries where accredited entities were holding assets. In response, said Board member stated the Trustee’s responsibility ended after the disbursement of funds. Another Board member suggested that this and the proposal from the Board member from Japan be taken forward by the Secretariat outside the current discussion. They also noted that Trustee’s responsibility ended after the disbursement of funds.

### **Terms of reference of the Permanent Trustee**

457. In relation to the development of the TOR as specified in document GCF/B.15/15/Rev.01, a Board member noted that with respect to the broader matter of the role of the Trustee, the Board needed to decide if it wished the Trustee to have more responsibility. In the future, it was possible to imagine a situation where the Secretariat had 5,000 projects with 5,000 FAAs to negotiate. This could be delegated to the Trustee which could establish a memorandum of understanding between itself and the AE so that the negotiation of FAAs was handled by the Trustee. They suggested that the management of FAA processing be outsourced to the Trustee, perhaps for a fee. They also wondered if the management of cash flow – the flow of cash from Trustee to entities – should be included in the TOR. Other institutions, such as the Multilateral Fund (MF), had UNEP as their trustee. Contributors made their contributions as promissory notes and deposited them at the WB. UNEP then had the freedom to choose what it needed to do with the contributions. The GCF could adopt a similar arrangement which would shift this burden away from the Secretariat. On a related point, said Board member asked how the GCF could maximize the benefits to the GCF from the wealth of financial expertise available internationally and which institutions could best render a service to the GCF.

458. Responding to points about MF and UNEP, another Board member pointed out that MF was a relatively small fund and that the comparison was not really appropriate given the size difference. They stated that it was important in looking at this issue not to overcomplicate the picture for potential contributors to the GCF, given increasingly strong competition between funds. They requested that their comments be recorded in the report of the meeting and urged the Board to treat the decision with the necessary gravity if the GCF was to be seen as a serious institution.

459. Another Board member suggested that the Board's focus should be on establishing the selection criteria for the Permanent Trustee and the procedure to be followed. A substantive discussion could then be held once the Secretariat had prepared a paper as stated in document GCF/B.15/15/Rev.01.

460. Further discussion ensued to try to reach consensus among Board members. The Board member from Japan stated that there was no other way for the Japanese Government to contribute to the GCF except through an international financial institution. They reiterated their support for an open and transparent tendering process and asked the Secretariat to accommodate two requirements, namely to proceed with an open and transparent procurement process and when it came to the final selection of the Permanent Trustee, this would need to be an institution which would enable the Government of Japan to continue to make contributions to the GCF.

461. Other Board members sought to combine suggestions made during the discussion. These could include incorporating elements raised by the Board member from Japan in the TOR, while reconsidering the conditions requested by said Board member when the Board reviewed applications from those bidding to become the Permanent Trustee. Another Board member proposed adding the following new text to paragraph (a) of the draft decision: "recognizing the need to take into account the legal and institutional constraints of the contributors".

462. The Co-Chairs adjourned the item for further consultations.

463. The Co-Chairs reopened the item on the final day of the meeting and a representative of the Secretariat informed the Board about the consultations which had taken place. A revised text was circulated and there being no objections, the draft decision was duly adopted as set out below.

464. In concluding the item, the Board member from Japan wished to express appreciation for the understanding of the Board. The Co-Chairs also thanked all those who had worked hard to help to resolve the matter. Finally, another Board member wished to put on record that while developing the TOR for the Trustee, the Secretariat should also take into consideration issues related to corruption, money laundering and fraud, and to ensure that the investment policies and practices of the future Trustee be consistent with the Paris Agreement and other climate-related agreements, particularly in building climate resilience.

### **DECISION B.15/08**

*The Board, having considered document GCF/B.15/15/Rev.01 titled "Competitive process for the selection of the Permanent Trustee" and annex II to the aforementioned document:*

- (a) Requests the Secretariat to submit to the Board at its sixteenth meeting;
- (i) *Detailed terms of reference for the selection of the Permanent Trustee for the GCF in accordance with UNFCCC decision 1/CP.16 (paras. 104 – 107), as well as subsequent UNFCCC decisions on this matter, the Governing Instrument for the GCF (paras. 6, 18(o), 24, 25 and, 27) and relevant Board decisions; and*

- (ii) *A detailed plan for the competitive procedure for the selection of the Permanent Trustee; and*
- (b) *Also requests the Secretariat to take into account in developing the terms of reference of the procedure:*
  - (i) *The need for the assets of the GCF to be covered by the appropriate privileges and immunities; and*
  - (ii) *The legal and institutional requirements of the contributors.*

## **Agenda item 18: Policies on the formal replenishment process**

465. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/Inf.12/Rev.01 titled “Matters related to the replenishment of the Green Climate Fund: Co-Chairs’ memo”.

466. The Co-Chairs stated that consultations on the first formal replenishment process were being held, in accordance with guidance from the COP and decision B.12/09. They noted that at the current stage, the consultations were ongoing and would require additional time.

467. The Co-Chairs asked if any Board members wished to offer guidance on the formal replenishment process, in particular on the matter of clarifying the trigger for the replenishment, and the sequence of work on the policies and procedures for the formal replenishment process.

468. There being no comments, the Co-Chairs proposed to continue the consultations and report back to the Board at B.16.

469. The Board duly took note of document GCF/B.15/Inf.12/Rev.01.

## **Agenda item 19: Matters related to accreditation proposals**

### **(a) Consideration of accreditation proposals**

470. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.15/16 titled “Consideration of accreditation proposals”. They informed the Board that the document presented an overview of accreditation work up to 31 October 2016, including that associated with the accreditation process, an overview of the pipeline of applicant entities with information on support to direct access entities, and an overview of the portfolio of accredited entities, including the status of accredited entities addressing accreditation conditions, and presented accreditation proposals based on the applications received up to 31 October 2016 for consideration by the Board.

471. A representative of the Secretariat presented an overview of the overall pipeline of accreditation, the direct access pipeline, including geographical spread by region, support for direct access entities, and a summary of entities recommended for accreditation by the Accreditation Panel (AP) for the Board’s consideration at B.15.

472. A member of the AP, Mr. Max Contag, apologized for the absence of the chair of the AP, Mr. Peter Carter, and presented an update on accreditation recommendations. Seven new applicants (applicants 043 to 049) for accreditation would be presented by the AP for consideration by the Board at B.15, and one AE was recommended by the AP for an upgrade in its accreditation type. Of the seven new applicants, five entities were applying under direct access and two under international access.

473. Three of the applicants fully met the accreditation requirements of the GCF. In the other four cases, the AP recommended conditions in order for the entities to meet the GCF accreditation requirements; direct access entities could seek support from the GCF for that purpose.

474. For the first time, the AP was not recommending a large global international entity for accreditation. On a separate note, it was regrettable that no entity was being recommended from the continent of Africa on the present occasion.

475. If the Board were to accept the latest recommendations of the AP, the GCF would have a total of almost 50 accredited entities.

476. The AP recommended that, while the GCF accreditation standards should not be significantly changed, the time was ripe for an independent evaluation of the inaugural GCF AP, which should be undertaken before the end of the mandate of the current AP in October 2017.

477. Work was ongoing to develop a more streamlined accreditation checklist, which should be ready for testing in January 2017. The AP requested the Board to provide clear guidance on measuring the portfolios of AEs and noted that external expertise would be required to establish and operationalize baseline methodology.

478. Finally, Mr. Contag drew attention to the fact that the assessment of applicants for accreditation varied widely in terms of time and complexity depending on a broad range of factors.

479. Following the presentations, the Co-Chairs asked Board members to focus on considering the accreditation proposals as a group and not to raise broader policy matters regarding accreditation. One Board member stated that it was important for reasons of transparency to consider applications one by one. A CSO active observer requested to make some overarching remarks and then to offer comments on each applicant. Another Board member stated that on previous occasions applications had been considered in closed session in view of potentially confidential commercial information being inadvertently revealed. They asked that everyone bear this in mind when making interventions.

480. The Co-Chairs asked for Board members to recuse themselves if they had any conflicts of interest.

481. The Board member from France, Ms. May Gicquel, recused herself from making any interventions regarding entity **Applicant 048 (PROPARCO)**.

482. The Co-Chairs then proceeded to open the floor for comments on each of the applicant entities.

### **Accreditation assessment of Applicant 043 (APL043): the Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China**

483. A CSO active observer expressed concern that the current practice by the Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China to have an information disclosure period of just 10 days for category B projects, which was not in line with the GCF Information disclosure policy. Although the AP did not address this in its assessment, they requested that the accreditation of FECO be made conditional on the upgrade of its current practice of 10 days to 30 days for all category B projects.

484. A Board member also raised a query regarding disclosure and wished to know if FECO could comply with the 30-day period in accordance with the GCF Information disclosure policy. A representative of the Secretariat stated that in the AMA, entities were requested to comply with all GCF policies and so this disclosure would be required. Mr. Contag, standing in for the

chair of the AP, confirmed that in fact FECO was able to comply with the 30-day disclosure period and had committed to doing so.

### **Accreditation assessment of Applicant 044 (APL044): the Korea Development Bank (KDB)**

485. The CSO active observer raised a query regarding the intended access modality of this applicant, “direct access, national”. They stated that national direct access should mean that the focus of the entity was on projects within the entity’s own country. They were uncertain that this was the case for the Korean Development Bank (KDB). The representative of the AP stated that the KDB had been nominated by the NDA as a direct access entity and that this was also in line with the Governing Instrument. A Board member echoed the observer’s concern, noting that the Accreditation Committee had discussed this matter, as an international entity submitting an application as a direct access entity was a significant issue for the Board. The line between international and direct access was becoming blurred. It would be necessary for this to be dealt with quickly by the Accreditation Committee. The Co-Chairs recalled that this kind of issue had confronted the Board in the past. They noted, for example, the case of an entity which was presented for accreditation as a regional entity based on one country nominating them. There had been similar related issues and the matter needed to be resolved as soon as possible.

486. The CSO active observer expressed further concerns over the applicant’s fossil fuel track record. They noted that the KDB had been responsible for at least USD 2.5 billion in fossil fuel finance since 2011. As part of a paradigm shift in climate finance responses required by all GCF AEs, the KDB should indicate, report and demonstrate through policy, an intention to significantly shift its investments away from fossil fuels. Finally, they noted the KDB emphasis on public–private partnerships. These had often been shown to have negative outcomes and were not necessarily the only or best option. They requested that the KDB approach to and design of public–private partnerships, and the track record and outcomes of its public–private partnership projects, be closely monitored.

### **Accreditation assessment of Applicant 045 (APL045): PT Sarana Multi Infrastruktur (PT SMI)**

487. A CSO active observer stated that while civil society generally welcomed the accreditation of more national entities to address the huge imbalance in favour of international entities, they had several major concerns about this entity. These concerns had been expressed in a letter to the Board, prepared and signed by many Indonesian CSOs and supported by various regional and global CSO networks. They had also e-mailed the letter to Board members and attempted to distribute it directly. Given these concerns many civil society organizations from Indonesia had strong reservations, if not outright opposition, to the accreditation of PT Sarana Multi Infrastruktur (PT SMI). Among the concerns discussed in the letter were the following:

- (a) The poor track record of PT SMI in transparency and information disclosure;
- (b) Resistance by local communities to PT SMI projects - communities affected by the Passelorang Dam project were resisting their forced displacement and rejecting the compensation offered by PT SMI. Moreover, community protestors were being harassed by security forces hired by PT SMI;
- (c) The entity’s non-compliance with GCF’s fiduciary standards; and
- (d) The organization’s lack of experience in implementing its newly created ESS of 2016, and a process that only partly met GCF standards.

488. A representative of the AP, Ms. Penelope Herbst, stated that the review of this applicant had involved a lengthy process which had resulted in a recommendation with a number of conditions. Regarding the matter of its fiduciary standards and ESS, there was evidence of improvement in this area. PT SMI was initially a private sector entity but its mandate had changed, and in line with its new mandate, it had been accessing multilateral funds, including Agence Française de Développement, the World Bank via the Climate Investment Funds, the Clean Technology Fund, the GEF and the ADB. The AP recognized some disclosure although this was a concern of the Accreditation Panel. PT SMI had confirmed that it would address these concerns.

489. A Board member expressed concern that the Board was returning to earlier practices where applicant entities were criticized in a public forum without being able to respond, and that this should be stopped. The Board relied on the assessment of the AP. Another Board member stated that it was the Board's role to make sure it was comfortable with the recommendation of the AP. In this case, the AP had recommended that the applicant be accredited for a lower level category than they had requested. A Board member stated that this amounted to due diligence by the Board. It was always possible for the Board to invite entities into the boardroom. On specifics, they expressed concern at the number of conditions and urged the Board to work towards accrediting entities with fewer conditions. Where an entity was being recommended with so many conditions, it raised the more general question as to whether the entity was ready to be accredited. In this case, the Board member noted that the entity had a limited track record and had relatively new policies. In this Board member's view, it was only appropriate to accredit the entity at an environmental and social risk category B and that it would be necessary to monitor the entity closely. Another Board member stated that they wished to listen to the views of CSO active observers before making their decision. On this applicant, they supported the recommendation of the AP.

490. A representative of the AP responded to Board members' points underlining that the AP was fully committed to its recommendation to accredit the entity. On the matter of size, the entity had seen a significant increase in portfolio and that the size was appropriate based on the entity's assets.

### **Accreditation assessment of Applicant 046 (APL046): the Central American Bank for Economic Integration (CABEI)**

491. A Board member noted that the entity had improved its own ESS standards. This example sent an important message to potential accredited entities.

492. A CSO active observer expressed appreciation for the opportunity to make comments particularly as they had not had an opportunity to provide overarching comments on applicant entities before the detailed discussion of each entity. They stated that third parties, including civil society, needed to be involved earlier. This would avoid a lot of back and forth before the Board meeting. The active observers only had sight of what was coming to the Board three weeks before the meeting which did not allow sufficient time to provide comments. It was also worrying that the AP was continuing a policy of due diligence which was more about a check on the mere existence of policies and procedures on paper than on a verification of the track record of the applicant and the implementation of these policies by the candidate entities.

493. They reminded Board members that during the twelfth meeting of the Board they had shared the tragic news of the death of Ms. Berta Caceres, an environmental leader fighting to stop investments in large dams in her country, Honduras, due to the negative impacts these were causing to the environment and indigenous people in the area. This highlighted the very real dangers communities were facing at the same time as those in the boardroom spoke abstractly about environmental and social safeguards and risk categories. CABEI was one of the

investors providing resources for one of the dams, Agua Zarca, which cost Ms. Caceres her life. It was now considering several hydropower proposals.

494. Civil society was raised the following concerns at the request for the highest risk categorization for CABEI:

- (a) CABEI had very little experience in environmental investments and therefore had not demonstrated a capacity to oversee environmental and social risks. Only 1 per cent of its investments had gone to environment-related projects;
- (b) CABEI did not have an accountability unit or internal redress mechanism. It had a poor track record on transparency, which made it very difficult for stakeholders to engage and measure the effectiveness of its investments. It also had a poor track record with respect to responding to communities' concerns; and
- (c) CABEI mostly supported non-sustainable large scale energy investments that would make the situation in vulnerable countries like Honduras much worse.

495. They recommended that the Board be careful about providing category A intermediation 1 accreditation to CABEI. There was enough evidence of its poor track record on the effective management of environmental and social risks of large scale projects that demonstrated its limited capacity to deal with them.

#### **Accreditation assessment of Applicant 047 (APL047): Fundación Avina (Fundación Avina)**

496. No comments were made on this applicant.

#### **Accreditation assessment of Applicant 048 (APL048): Société de Promotion et de Participation pour la Coopération Economique (PROPARCO)**

497. A CSO active observer expressed concern at the continued accreditation of bilateral agencies that were far behind international best practice on important issues such as full and early disclosure of information and grievance mechanisms.

498. They noted that Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) was the third entity based in France to be accredited to the GCF, at a time when many countries were waiting patiently to have their own direct access entity accredited.

499. Finally, they noted that while it was positive to see portfolio-wide targets, the goal set by PROPARCO of allocating 30 per cent of its portfolio to climate-related investments was low. It was far from the obligations of the Paris Agreement which required the alignment of all financial flows with low-carbon and climate-resilient development. This stipulated that 100 per cent of investments become climate-resilient and 100 per cent of investments be compatible with the 1.5 °C limit set by the Paris Agreement.

#### **Accreditation assessment of Applicant 049 (APL049): World Wildlife Fund, Inc. (WWF)**

500. No comments were made on this applicant.

#### **Accreditation assessment of upgrade application from the Conservation International Foundation (CI)**

501. No comments were made on the upgrade application of this applicant.

502. The Board took note of document GCF/B.15/16.

503. The Co-Chairs asked if Board members could adopt the draft decision. There being no objections the decision was duly adopted.

### **DECISION B.15/09**

*The Board, having considered document GCF/B.15/16 titled “Consideration of accreditation proposals”:*

- (a) *Takes note with appreciation of the efforts that accredited entities are making in order to address their accreditation conditions as listed in **annex V**;*
- (b) *Also takes note of the accredited entities with accreditation conditions fulfilled and closed as determined by the Accreditation Panel and listed in **annex V**;*
- (c) *Further takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:*
  - (i) *Applicant 043 (APL043) is the Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China, based in China, as contained in **annex VI**;*
  - (ii) *Applicant 044 (APL044) is the Korea Development Bank (KDB), based in the Republic of Korea, as contained in **annex VII**;*
  - (iii) *Applicant 045 (APL045) is PT Sarana Multi Infrastruktur (PT SMI), based in Indonesia, as contained in **annex VIII**;*
  - (iv) *Applicant 046 (APL046) is the Central American Bank for Economic Integration (CABEI), based in Honduras, as contained in **annex IX**;*
  - (v) *Applicant 047 (APL047) is Fundación Avina (Fundación Avina), based in Panama, as contained in **annex X**;*
  - (vi) *Applicant 048 (APL048) is Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), based in France, as contained in **annex XI**; and*
  - (vii) *Applicant 049 (APL049) is the World Wildlife Fund, Inc. (WWF), based in the United States of America, as contained in **annex XII**;*
- (d) *Accredits applicants APL043, APL044, APL045, APL046, APL047, APL048 and APL049 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 applicants. A summary of the recommended accreditation types and conditions and/or remarks, if any, for each applicant is contained in **annex XIV***
- (e) *Takes note with appreciation of the assessment conducted by the Secretariat and the Accreditation Panel contained within the relevant annex for the following applicants seeking to upgrade its accreditation type:*
  - (i) *Conservation International Foundation (CI), based in the United States of America, as contained in **annex XIII**;*
- (f) *Agrees to upgrade the accreditation type of Conservation International Foundation contained in decision B.10/06, paragraph (ix), subject to, and in accordance with, the assessment by the Accreditation Panel contained in **annex XIII**. A summary of the recommended upgrade in accreditation type and conditions and/or remarks, if any, is contained in **annex XIV**;*

- (g) *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 XV**; and*
- (h) *Decides that those entities referred to in **annex XV** 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.*

**(b) Accreditation master agreements**

504. The Board considered this sub-item in closed session.
505. The Board took note of document GCF/B.15/17/Rev.01 (limited distribution) titled “Accreditation master agreements and funded activity agreements” and document GCF/B.15/18 (limited distribution) titled “Approval of the accreditation master agreement agreed with Kreditanstalt für Wiederaufbau (recommendations from the Risk Management Committee)”.
506. Two limited distribution decisions were adopted under this agenda sub-item:
507. **DECISION B.15/10** on accreditation master agreements; and
508. **DECISION B.15/11** also on accreditation master agreements.

**Agenda item 20: Approval of the performance criteria and measurement procedures for the Executive Director of the Secretariat**

509. This agenda item was not opened.

**Agenda item 21: Approval of the work plans and budgets of the independent accountability units**

**(a) Independent Redress Mechanism**

**(b) Independent Integrity Unit**

510. The Co-Chairs opened the agenda item and introduced document GCF/B.15/19 titled “Independent Redress Mechanism Unit work plan & budget for 2017” and document GCF/B.15/20 titled “Draft 2017 workplan and budget for the Independent Integrity Unit”.
511. They invited the Heads of the Independent Redress Mechanism Unit (IRMU) and the Independent Integrity Unit (IIU) to provide introductions.
512. The Head of the IRMU, Mr. Lalanath De Silva, began by thanking the Board for his appointment. He recalled paragraph 69 of the Governing Instrument which established the Independent Redress Mechanism (RM) and outlined the main functions of the RM as stated in the Governing Instrument.

513. Mr. De Silva then referred the Board to the TOR that established the mandate of the IRMU<sup>3</sup>. He stated that the Board, through its decision B.13/24, paragraph (e), had requested the head of the unit to review the TOR for the RM and present revised TOR. Mr. De Silva also referred to the TOR that mandated the head of the unit to present a work programme and budget for consideration by the Board.

514. The Head of the IRMU indicated that the budget presented was a minimum start-up budget and that the work plan presented was in two stages. The first stage would seek to revise the TOR for the IRMU and to prepare guidelines and procedures for the unit. The unit also intended to engage with the Secretariat in developing an ESMS with the aim of concluding this work by the middle of 2017. For this initial stage of the work programme, the unit head intended to recruit a skeleton staff, including an Administrative Assistant, a professional staff member at level IS 5 with mediation skills, and a Senior Adviser as a short-term consultant. He noted that the travel component and operating costs presented were standard. In conclusion of this first stage, the unit head mentioned his intention to present a fuller work plan for the IRMU and perhaps a revised budget for consideration by the Board, after these initial steps were completed.

515. The Head of the IIU, Mr. Ibrahim Pam, gave a presentation on the unit's work plan and budget. He listed priority tasks as drafting a number of policy documents that would form the integrity framework for the prevention of fraud, corruption and the abuse of GCF resources. This was urgent as greater financial commitments and ultimately disbursements were being made. These policy documents would be presented to the Board at B.16. The investigation strategy would be developed for both internal and external investigations. During 2017, two people would be recruited on staff contracts and one on a consultant contract. Regarding its mandate this was clearly set out in paragraph 68 of the Governing Instrument. Article 1 of the TOR<sup>4</sup> set out the reporting line to the Board and the working relationship with the Secretariat. The IIU would work with operational independence and would maintain a constant reporting line to the Board through the Ethics and Audit Committee (EAC).

516. The chair of the Budget Committee (BC), Ms. Leclerc, clarified the reasons the committee had not reviewed the budgets of the accountability units and why they were presented separately to the administrative budget of the Board and of the Secretariat. Ms. Leclerc referred to a clause in the TOR of the IIU which stated that the unit would report to the EAC and the Board, which suggested that the EAC should review the budget of the IIU. In the case of the RM, the TOR stated the relevant committee would review the budget. The chair of the BC also noted the independent status of the accountability units, and that the BC did not want to create the perception that it was limiting the activities of the independent units. Ms. Leclerc cited the practice of other institutions and gave the example of the Board of the GEF, which considered the budget of its evaluation office separately, but back to back with the administrative budget of the GEF and then consolidated the budgets at a later point.

517. Several Board members congratulated the Heads of the IRMU and of the IIU on their appointments and welcomed them to the GCF. They also expressed their gratitude for the work plans and budgets that they had presented. One Board member, while strongly welcoming the new heads, stated that it was important that the units did not unduly increase the burden on countries. The Heads of the IRMU and of the IIU conveyed their appreciation for the welcome and congratulatory remarks of the Board members.

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<sup>3</sup> Please find the terms of reference for the Independent Redress Mechanism in the annex to Decision B.06/09, paragraph (c).

<sup>4</sup> Please find the terms of reference for the Independent Integrity Unit in the annex to Decision B.06/09, paragraph (b).

518. One Board member encouraged the Heads of the IRMU and of the IIU to look at ways to work with the Head of the Independent Evaluation Unit once they had taken up their appointment in order to make it easier for NDAs to engage with the accountability units.

519. The Board member asked if the IRMU would be able to process grievances if these were to arise in the very near future. The Head of the IRMU replied that they would be able to respond to grievances based on the interim procedures which were already in place. However, he noted that the Board may wish to rethink the interim guidelines for the reconsideration of rejected project proposals, once the consultations on the guidelines were concluded, possibly at B.17 or B.18.

520. The chair of the BC mentioned that in the case of the IIU they had difficulty connecting the activities listed in the work plans with the budgets presented which made them question exactly what they were approving. Ms. Leclerc also noted that, in the context of the governance of the units, it would be important for the Board to be clear about which committee (the BC or the EAC) was responsible for reviewing budgets. Another Board member echoed this view and stated their support for the EAC working with the IIU to develop the work plan and budget, so as to avoid ambiguity between committees, and to present them for consideration by the Board at a future meeting.

521. One Board member welcomed the fact that the IRMU would draw on lessons from the redress mechanisms of other institutions and from their best practices. They questioned the number of deliverables in the work plan of the IIU for B.16 and wondered if the goal to have these achieved in the first half of 2017 was rather ambitious. They also requested that sanctions be delivered in a shorter timescale in 2017.

522. One Board member noted that this was the first time that there were two divisions in the budget separating administrative matters and operations. Said Board member noted that the heads of the units were engaged on the same terms as the staff of the Secretariat as would the consultants who would be hired to carry out work for their units. They asked if, in future, administrative aspects would be included in one section of the administrative budget with annexes.

523. Another Board member sought clarification on certain items listed in the work programme of the IRMU such as the development of a communications strategy and website along with plans to undertake research. They questioned if these should be early priorities, and if these were appropriate for the IRMU to carry out. Regarding staffing plans for 2017, they requested clarification from the Head of the IIU on the role of external consultants as they noted that the budget seemed rather high.

524. The Head of the IRMU clarified that no financial costs were attached to the website elements of the work plan, and that the intention was to work with the Communications, Outreach and Partnerships Office of the Secretariat in conducting these activities. The Head of the IRMU offered to give details bilaterally to Board members on the details of the work programme presented.

525. On the question of whether their plans for B.16 were too ambitious, the Head of the IIU explained that they would have preferred to have been in the post earlier in order to institute some of the policies ahead of the conclusion of the AMAs as this was of critical importance. They were working closely with the Secretariat and were confident of having policies ready by B.16.

526. A Board member noted that the Head of the IIU intended to model the structure of the unit on that of equivalent structures in multilateral development banks. They noted that the GCF was a fund, and not a bank. They asked the Head of the IIU to take into consideration the model of the GCF which had accredited entities, some of which were development banks, others were

direct access entities and finally there were those from the private sector. The IIU needed to reflect these three elements and to look to partner with all three.

527. The Head of the IIU agreed that there may be a need for a differentiated approach to the different kind of entities accredited to the GCF, taking account of the contexts in which they operated.

528. Several Board members enquired on staffing of the accountability units and when this was expected to take place. The Head of the IIU clarified that in terms of the sequencing of staffing, during 2017 they planned recruiting two additional staff with a further two being recruited in 2018; by 2019, all staff would be appointed.

529. A CSO active observer welcomed the heads of the two units and looked forward to supporting their mandates. They also welcomed the 2017 work plan of the IRMU and looked forward to working with the IRMU as it developed policies and began its work during 2017. They appreciated the inclusive and participatory approach laid out in the work plan. Having an open and participatory process was critical to the creation of an independent and responsive RM that would be at the forefront of ensuring that environmental and social concerns were effectively addressed.

530. The Co-Chairs informed the Board members that the agenda item on the administrative budget for 2017 would be opened the following day, and administrative aspects of the budgets of the independent units could be discussed further then.

531. The Co-Chairs reopened the item on 15 December. They reminded Board members of discussions with the heads of the two units the previous day and subsequent consultations. They informed Board members of the proposed budgets for the IIU of USD 1,017,791 million and IRMU of USD 999,141.

532. The Board took note of documents GCF/B.15/19 and GCF/B.15/20.

533. There being no objections the following decisions were adopted:

### ***DECISION B.15/12***

*The Board, having considered document GCF/B.15/19 titled "Independent Redress Mechanism Unit work plan & budget for 2017":*

- (a) *Approves the work plan and budget of the Independent Redress Mechanism Unit for 2017 as contained in document GCF/B.15/19 and annex XVI to this document (total budgeted amount of USD 999,141), respectively;*
- (b) *Invites the Head of the Independent Redress Mechanism Unit to consult with the Ethics and Audit Committee in the implementation of the work plan, including the consultation process, as appropriate;*
- (c) *Authorizes the Head of the Independent Redress Mechanism Unit to undertake consultations on the revised terms of reference for the Independent Redress Mechanism in accordance with decision B.13/24, and present a draft revised terms of reference for the Board's consideration at its sixteenth meeting; and*
- (d) *Also authorizes the Head of the Independent Redress Mechanism Unit to undertake consultations on the detailed guidelines and procedures for the operation of the Independent Redress Mechanism, and present a draft of the same for the Board's consideration no later than at its eighteenth meeting.*

## **DECISION B.15/13**

*The Board, having considered document GCF/B.15/20 titled “Draft 2017 workplan and budget for the Independent Integrity Unit”:*

*Approves the work plan and budget of the Independent Integrity Unit for 2017 as contained in document GCF/B.15/20, and **annex XVII** to this document (total budgeted amount of USD 1,017,791), respectively.*

## **Agenda item 22: Administrative matters**

### **(a) Report on the execution of the administrative budget for 2016**

534. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.15/Inf.13 titled “Report on the execution of the 2016 administrative budget of the Green Climate Fund at 31 October 2016”.

535. A representative of the Secretariat provided an update on the execution of the 2016 administrative budget as at 31 October 2016.

536. For the 10-month period of 1 January to 31 October 2016, total expenditures on the Board and the Secretariat as well as estimated expenditures for the services of the Interim Trustee amounted to USD 19.2 million against a budget of USD 36.1 million. Of this figure, USD 2.3 million was related to the Board, USD 16.1 million to the Secretariat and USD 0.8 million to the Interim Trustee. The Interim Trustee expenditures were based on actual expenditures for the period to 30 June and estimated expenditures for the period to 31 October.

537. Total Board expenditures as at 31 October 2016 amounted to USD 2.3 million or 48 per cent of the total budget of USD 4.7 million. The underspend was primarily due to under expenditures on Board panels and non-utilization of the accountability units’ budgets pending the recruitment of the respective heads of said units.

538. Total Secretariat expenditures amounted to USD 16.1 million or 53 per cent of the total budget of USD 30.5 million. The three main reasons for the underspend were as follows;

- (a) The Board approved an additional budget of USD 4.4 million at the twelfth meeting of the Board for the recruitment of new staff. Staff members were currently being recruited and began to join the GCF during the period of June to October. However, recruitment was happening at a slower pace than had originally been anticipated;
- (b) Delayed expenditures against a budget of USD 1 million for two RFPs: one to establish a pilot programme to support MSMEs, and another for a pilot programme to mobilize resources at scale in order to address adaptation and mitigation; and
- (c) Under-expenditures against a budget of USD 1 million for the development of necessary day-to-day manuals and guidelines for operations and risk, which were required to ensure consistent assessments and compliance with standard risk procedures.

539. Estimated expenditures on Interim Trustee services up to 31 October 2016 were USD 0.9 million or 100 per cent. This was because investment management fees were higher than budgeted due to higher average cash balances in the Green Climate Fund Trust Fund account. The budget number was based on an estimated average cash balance of USD 0.75 billion.

540. Regarding the full year projection, it was noted that with staff recruitment increasing, a fourth Board meeting in December and the recent appointments of two of the three Heads of the Independent Accountability Units that the rate of expenditures would increase by the year’s

end. On this basis, total budget execution by the year end was projected in the range of 70 to 75 per cent.

541. The Co-Chairs thanked the representative for the presentation and opened the floor for comments.

542. A Board member requested that Board members first have an opportunity to hear a presentation from the Interim Trustee. The Co-Chairs duly invited a representative of the Interim Trustee to address the Board.

543. The representative, Mr. Jonathan Caldicott, gave a presentation on the investment management of the cash balances in the Green Climate Fund Trust Fund, noting that the USD 1.6 billion in the trust fund was pooled with the over USD 30 billion of other trust fund balances at the World Bank and was managed on a commingled basis. This allowed the GCF to benefit from economies of scale, lower cost and risk mitigation over a wide asset base. Mr. Caldicott also noted that the WB charges 3.5 basis points on the average annual balance.

544. The Interim Trustee representative explained that it had four model portfolio investment options available for trust funds, based on two key criteria: (1) the cash flows and duration for which the liquid balances could be invested; and (2) the risk tolerance of the client. The Interim Trustee confirmed that the primary objective across all model portfolios was capital preservation.

545. The expiration of the Interim Trustee mandate was scheduled for before April 2018, or 17 months from the time of the meeting, therefore the only available model portfolio option was the one with a one-year investment horizon, along with cash to meet cash transfer needs.

546. The representative explained that this model portfolio contained only short-term fixed-income securities and money market instruments, with no equities or corporate bonds, and therefore considered neutral from an environmental, social and governance (ESG) perspective. They further explained that the portfolio currently comprised 42 per cent government securities such as United States treasury bills, 40 per cent sovereign guaranteed and agency securities, and the balance in AAA-rated asset-backed securities and money market instruments.

547. Finally, the Interim Trustee reported on work under way within the World Bank to develop a responsible investments policy designed to formalize existing due diligence and risk processes that took account of ESG considerations and introduced ESG approaches to investment portfolio options. It was noted that upon the establishment of this policy the GCF could benefit, particularly if GCF assets became eligible for investment in longer term model portfolios.

548. The Co-Chairs thanked the representative for the presentation and opened the floor for comments.

549. One Board member sought clarification from the Co-Chairs as to which Board document the presentation related to. The Co-Chairs indicated that this was an informal presentation from the Interim Trustee, without an accompanying document, to inform Board members of the status of the investment management of cash balances in the Green Climate Fund Trust Fund.

550. Another Board member stated that they were pleased to see that none of the GCF assets were placed in fossil investments because of the serious reputational risk for the GCF. They noted that the World Bank only had two investment criteria, return and risk, and raised a broader policy point stating that they wished to see a non-fossil-fuel investment strategy in place before the appointment of a Permanent Trustee. The Co-Chairs advised that this should have been raised under agenda item 2, "Adoption of the agenda and organization of work" and then dealt with under agenda item 25, "Other matters". As agenda item 9, "Draft Work Plan of

the Board for 2017” had been gavelled, it was not possible to reopen it. They requested that this be raised under agenda item 25. However, the Co-Chairs noted the point raised by the Board member and asked that the Board focus on agenda sub-item 22(a), “Report on the execution of the administrative budget for 2016”.

551. Another Board member asked the Co-Chairs if a matter could be raised which related to the administrative budget of the Interim Trustee noting a 127 per cent increase in the investment cost. They wished to know the justification for this increase in the 2017 budget given that most of the contributions were in the form of promissory notes that followed the encashment schedule. The Co-Chairs stated that this would be dealt with under the next agenda sub-item (22(b), “Administrative budget and work programme of the Secretariat for 2017”).

552. A Board member stated that they were in favour of ESG-based standards and requested further clarification from the representative regarding the possibility of integrating ESG considerations if a longer term model portfolio was adopted in the future. They wondered if the fact that the Interim Trustee could not currently move in this direction related to their short-term mandate. On a related point, a Board member asked the representative to indicate the degree of consistency between the World Bank’s ESG, the Paris Agreement and the mandate of the GCF. The Co-Chairs asked that Board members raise these matters bilaterally.

553. Finally, another Board member raised a query in relation to exchange rate fluctuations. Citing the fact that the World Bank was also the trustee for the GEF, they stated that the GCF Interim Trustee would be aware of an approximate 30 per cent shortfall in GEF resources because of interest rate fluctuations. They requested an assessment of GCF risk exposure to exchange rate fluctuations. The Co-Chairs requested that the Board member raise this important matter under the appropriate agenda item.

554. There being no further comments, the Board took note of document GCF/B.15/Inf.13.

#### **(b) Administrative budget and work programme of the Secretariat for 2017**

555. The Co-Chairs opened the sub-item and introduced document GCF/B.15/21/Rev.01 titled “Administrative budget of the Green Climate Fund for 2017”. They informed the Board that following consultations with the chair of the Budget Committee regarding the work programme of the Secretariat, they proposed that this be submitted at B.16.

556. They invited the chair of the Budget Committee, Ms. Leclerc, to address the Board. Ms. Leclerc expressed appreciation to the Secretariat for its responsiveness during their interactions on this item and suggested that the Board first consider a presentation by the Secretariat.

557. The Co-Chairs invited a representative of the Secretariat to introduce the document.

#### **Secretariat budget presentation**

558. The representative informed the Board that the 2017 budget had been developed in collaboration with relevant divisions and offices of the Secretariat, and was based on their activities for 2017, and estimates provided by the Interim Trustee. The budget had also been reviewed by the Budget Committee and incorporated their feedback.

559. In total, the proposed 2017 administrative budget was USD 45.7 million. This represented a total increase of USD 10.3 million or 29 per cent over the approved 2016 budget for the Board, the Secretariat and the Interim Trustee.

560. Approximately 78 per cent (USD 8.1 million) of the proposed increase related to the cost of the additional positions approved by the Board at B.13 for 2017. The remaining amount of

USD 2.2 million comprised a decrease of USD 0.45 million for Board expenditures, and increases of USD 2.4 million for the Secretariat budget (mainly external professional services) and USD 0.25 million for the Interim Trustee.

561. In aggregate, the proposed budget for the Board in 2017 showed a decrease of USD 0.45 million or 12 per cent over the 2016 approved budget. This represented a decrease of USD 0.55 million required in 2016 for the recruitment of the Executive Director and the Head of the Accountability Units but not needed in 2017. In addition, an increase of 3 per cent, amounting to USD 0.1 million, was proposed for other line items over the 2016 budget. The proposed increase of 3 per cent was in line with standard budget practice.

562. The Secretariat staffing budget had been prepared on the assumption that approximately 80 staff would be on board by the end of 2016; approximately 117 by mid-2017; and 140 staff by year end. This had resulted in an increase of USD 8.1 million or 51 per cent in the budget for staffing costs for 2017 over the 2016 budget.

563. Consultants were budgeted at USD 3.8 million of which staff consultants comprised USD 2.6 million and remote consultants USD 1.2 million. Staff consultants in 2017 were required for two reasons: firstly, to provide continuity when new full-time staff are recruited so as to provide a smooth transition and secondly, to provide a staff function where the staff positions had yet to be filled. As the Secretariat became fully-staffed, a large decrease was expected in the number of staff consultants at the Secretariat leading to a significant reduction in budget in future years.

564. Time sheet consultants were required to provide additional expertise in technical areas where the relevant division did not propose to hire staff itself.

565. In total, consultancy costs decreased by USD 0.2 million or 4 per cent on the 2016 budget.

566. Staff travel was budgeted at USD 1.9 million. The increase of USD 0.38 million or 24 per cent over the 2016 budget reflected the fact that staff would be required to undertake missions for outreach and awareness-raising, as needed, in countries and partner institutions and also took into account the large increase in the staffing levels in 2017. At the same time, it took account of the increasing awareness within the Secretariat that staff should conduct business through virtual meetings wherever possible.

567. Contractual services were budgeted at USD 5.9 million. This represented the cost of contracting consultancy firms to supplement the substantive work programme of the Secretariat in 2017.

568. USD 2.1 million of the requested USD 5.9 million were for 2017 projects which would not be recurring in future years. These included the development of risk policies/rating methodology; advice on strengthening the internal capacity of the Secretariat; the use of professional human resource recruitment firms; the development of co-financing schemes; research on the establishment of the replenishment process, and the review of contribution policy.

569. While approximately USD 1.6 million was for projects which were approved in the 2016 budget but not implemented in 2016. These were the development of day-to-day manuals and guidelines for operations and risk; and the costs of supporting the establishment of entities to establish a pilot programme for MSMEs, and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation.

570. As the capacity of the Secretariat increased, further decreases were expected in future years as a proportion of the outsourced work could be done in-house.

571. The proposed budget for the Interim Trustee was in line with the projected 2016 expenditures. It assumed an average cash balance of USD 1.7 billion in the Green Climate Fund Trust Fund for 2017.

572. The Co-Chairs reminded Board members that they were being asked to approve an administrative budget for 2017 of USD 42.6 million noting that USD 3.1 million had already been approved, giving a total of USD 45.6 million.

573. They opened the floor for comments.

## Discussion

574. One Board member stated that they had had a meeting with a representative of the Secretariat during which they had made many detailed comments on the budget. They could not adopt the decision without knowing how the Secretariat was going to deal with these comments as they did not wish them to be lost.

575. Separately they reiterated a request made during the above-mentioned meeting that the administrative budgets of the accountability units be annexed to the budget document (GCF/B.15/21/Rev.01). Another Board member echoed this view requesting that the budgets for the accountability units be kept separate from the main administrative budget for reasons of transparency.

576. The first Board member requested clarification regarding the Readiness and Preparatory Support Programme budget which did not appear to be recorded anywhere.

577. They also asked the Secretariat to identify where the USD 1.7 billion in cash was indicated in document GCF/B.15/Inf.11.

578. Finally, they raised a concern at the amount of travel being undertaken by the Secretariat staff and in particular whether this was the cause of delays in producing the Board documents in a timely manner. Specifically, they noted the number of staff attending the Board meeting in Samoa. They wondered whether there was a linear relationship between the number of staff and the size of the travel budget. Said Board member noted that many of the Board committees conducted their work virtually and did not see why much of the interaction between the Secretariat and AEs for example could not be done in the same way. Other Board members expressed support for Secretariat travel. One noted that the presence of Secretariat staff at COP 22 in November 2016 had been very valuable and that many of their constituents had been able to get answers to important questions through such face-to-face interaction. While there were inevitably budget implications, the GCF needed to be strongly represented at COPs. Another also expressed their support for Secretariat staff travel to COPs and to the Structured Dialogues. A third Board member, while supporting Secretariat travel to such events, stated that they wished to see the Travel policy redefined in order to promote good practices such as virtual communications.

579. Another Board member recommended that over time, the budget would be linked to key elements of the Board's work plan and that these elements would be costed out. For example, how much would be spent on readiness and PPF management, on relationship management with AEs and NDAs, on proposals processing, and on risk management. Only by doing this would the Board be able to manage trade-offs as the budget plateaued. It was also stated that the combined budget lines on consultancies and contractual services should slowly decrease as permanent staff joined the GCF resulting in a decline in the use of consultants. Greater clarification on the information and communications technology budget line was requested with the USD 3.5 million considered to be somewhat high. The Board member also encouraged the Secretariat to use open source software wherever possible and to only consider bespoke or customized software where absolutely necessary. The Secretariat was requested to consider pro

bono services which could be done by organizing some kind of competition for these services. The views expressed by this Board member were also supported by two other Board members.

580. Another Board member highlighted an area of strategic importance, namely the need to increase the outreach of the Board and the GCF. This would involve ensuring that the budget supported communications. They noted that communications was the one budget area showing no increase. They wished to see support for the costs of attending Board meetings by observer institutions from developing countries, and particularly Africa. Support for CSO active observers was echoed by another Board member who noted that this should be considered in the context of the upcoming review in 2017 of the observer process. In the meantime, they asked that the Secretariat to consider supporting CSO active observers' attendance at B.16 on an exceptional basis. The request for support for active observers was endorsed by three other Board members. The CSO active observer expressed appreciation for the support from said Board members on this matter both during the meeting, and from the Budget Committee and from the Co-Chairs' teams outside the meeting.

581. Following comments from Board members, the Co-Chairs invited the chair of the Budget Committee to make a further statement.

#### **Statement from the chair of the Budget Committee**

582. On behalf of the committee, the chair, Ms. Leclerc, thanked fellow Board members for their comments. Ms. Leclerc also expressed thanks to the Secretariat's acting Chief Financial Officer for being responsive to both committee queries and queries from other Board members. She stated that the Secretariat was now being put in an awkward position in being asked to make changes to the budget when the Budget Committee had been tasked by the Board with recommending a budget. It would be necessary to work out a way of handling such matters in the future so that comments would be brought forward to the committee at an earlier stage. The chair stated that the Board member who had expressed detailed comments would be very welcome to rejoin the committee.

583. Regarding travel, this appeared to be an issue around governance rather than the actual costs. It would be necessary to understand better how managers took travel decisions and perhaps the travel policy needed to be looked at again.

584. The chair noted that the Board was trying to approve a budget without a 2017 work plan which made the task of budgeting more difficult.

585. It was also suggested that the Secretariat should indicate actual expenditures and planned expenditures together.

586. Regarding consultancy costs, the committee expected to see a proportional decrease in these as new staff came on board. However, it did not expect this to happen until the Secretariat was fully staffed at 140 staff members. Such costs would most likely keep increasing, while the Secretariat sought to recruit more staff until 2017 or 2018.

587. On contractual services and under-planning for risk management, assuming the USD 5.9 million budget was managed as a one-line item, the slippage in some sub-areas could be reallocated to risk management.

588. The chair stated that the administrative budgets of the accountability units should be separated to ensure that the units remained independent but consolidated in order to ensure that a clear picture existed of the administrative cost of running the GCF.

#### **Response from the Secretariat**

589. On the administrative budgets for the accountability units, the Secretariat would now look at presenting an overall budget covering the Board, the accountability units, the Secretariat and the Interim Trustee.

590. On the suggestion to include the Readiness and Preparatory Support Programme budget as part of the administrative budget, the representative of the Secretariat suggested that this be discussed further. They explained that the budgets for the Board, the accountability units, the Interim Trustee and the Secretariat were annual budgets. On the other hand, readiness was an allocation for a programme spread over a number of years. If readiness was included, the Board would not necessarily be comparing like with like. For this reason, it would be difficult to present one single budget.

591. Regarding the queries raised on travel, and specifically a query about the 40 staff at B.15, the representative noted that staff used the opportunity to interact with AEs and NDAs. At the same time, staff members were needed to present funding proposals, support committees and to provide editorial support to the Board. The Secretariat had a procedure on staff travel which focused on outcomes. Staff needed to receive approval from managers and submit mission plans and reports before and after their trips. However, they recognized the concerns expressed by Board members regarding this matter. With reference to comments regarding a linear relationship between increasing staff numbers and the travel budget, the representative noted that the travel budget had increased by about 24 per cent but staff numbers would have increased from 56 to 140 by the end of 2017 which could not be described as a linear relationship.

592. In terms of the proposal to link the Board work plan to the budget, the Secretariat would seek to move in this direction and to cost the individual functions.

593. The representative confirmed that in relation to information and communication technology costs, when the initial investments had been made, the Board should see a decrease.

594. Regarding the communications' budget, it was explained that the 2017 budget was based on the underspend in 2016 and so was kept flat for 2017. In addition, because of ongoing discussions on the Director of Communications, Outreach and Partnerships post and the upscaling of communications, outreach and partnership activities, the Secretariat would expect to come back to the Board with a revised budget on this, which would be presented to the Board during 2017.

595. In terms of support for CSO active observers attending Board meetings, the Secretariat was very supportive and awaited Board guidance on this matter.

### **Response from the Interim Trustee**

596. Concerning the level of cash holdings, the Interim Trustee stated that in estimating the average liquidity balance in Green Climate Fund Trust Fund, they consulted closely with the Secretariat and relied on its estimate as they had a clearer picture of cash outflows due to transfers for projects. They confirmed that they were comfortable with the USD 1.7 billion estimate from the Secretariat. The figure of USD 386 million in the Initial Resource Mobilization (IRM) document (GCF/B.15/Inf.11) was expected to come in as additional cash in 2017, which would be added to whatever the GCF balance was at that time.

597. They noted that this was not the same as the commitment authority for the GCF. The commitment authority was based on promissory notes and contributions made, while the GCF balance depended on inflows and outflows during the year. The average balance was an estimate, with the fee for investment management based on the actual average balance over the course of the year. This could then be compared with the investment income earned over the previous 12 months of just over USD 9.3 million.

598. The Co-Chairs asked the Board if they could now adopt the budget.

599. One Board member proposed that the Board approve the staff component of the budget, maintain the travel component at same level as previous years, and request the Secretariat to revise the budget document for presentation at the next Board meeting at the same time as the Secretariat work programme was submitted. This would enable both to be approved at same meeting. They stated that since this would be the first time a Secretariat work programme was presented, it needed to be robust as a model for the future. Another Board member asked what the operational implications would be of such a proposal.

600. The chair of the Budget Committee expressed a concern that this could mean it was not possible to pay consultants and if contracts could not be concluded before April this could delay work for 2017. It could also impact the preparatory work for the next Board meeting and so hinder the Board's work programme.

601. A Board member urged a solution during the meeting so the budget could be approved for the Secretariat to operate effectively in 2017. Another Board member expressed concern at the proposal to defer the budget, with some exceptions, until B.16. This approach appeared to contradict numerous comments from the Board about Secretariat capacity and staffing, and would impact the functioning of the Secretariat.

602. The Co-Chairs requested that the chair of the Budget Committee meet with concerned Board members and the Executive Director ad interim to find a way forward and the item was adjourned.

603. The Co-Chairs reopened the item on the final day of the meeting and asked the chair of the Budget Committee, Ms. Leclerc, to provide an update.

604. Ms. Leclerc stated that, following consultations, it had been decided that a slight revision be made to the proposed administrative budget. The budget components on travel and contractual services for 2017 would remain the same as 2016, while all other amounts would stay the same as originally recommended by the Budget Committee. She outlined the revised draft decision text. It would state that the Board took note of the recommendations of the Budget Committee for the 2017 administrative budget and it would ask that the Board to approve a budget of USD 43,401,071 million which the chair explained was a slight reduction from the USD 45.7 million previously presented by the Budget Committee. Furthermore, slight changes would be made to the presentation of the budget table in the document in order to make it easier to read. Finally, the draft decision would state that the Secretariat would present a Secretariat work plan linked to the budget at B.16.

605. The Co-Chairs asked the representative of the Secretariat to restate the final administrative budget the Board was being asked to approve.

606. The representative stated that the figure was USD 43,401,071.

607. The Co-Chairs asked the Board to take note of recommendations of the Budget Committee, approve the budget as stated by the Secretariat, and requested the Secretariat to amend the document and present the Secretariat work plan based on the budget at B.16.

608. The Board took note of document GCF/B.15/21.

609. There being no objections the following decision was adopted:

#### ***DECISION B.15/14***

610. *The Board, having reviewed document GCF/B.15/21 titled "Administrative budget of the Green Climate Fund for 2017":*

- (a) *Takes note* of the original recommendation of the Budget Committee to approve a total administrative budget for the calendar year 2017 of USD 45,666,356;
- (b) *Approves* an administrative budget of the Green Climate Fund for the period from 1 January 2017 to 31 December 2017 in the amount of USD 43,401,071, including USD 3,125,835 in staff costs approved by decision B.05/20 (annex XVIII to this document); and
- (d) *Requests* the Secretariat to submit a 2017 work plan and any required budget adjustments for the consideration of the Board at its sixteenth meeting.

**(c) Options for operationalization of the Administrative Tribunal**

611. The Board considered this agenda sub-item in closed session.

612. The Board took note of document GCF/B.15/22 (limited distribution) titled “Options for the operationalization of the Fund’s Administrative Tribunal”.

613. The Board adopted the following decision:

**DECISION B.15/15**

*The Board, having considered document GCF/B.15/22 (limited distribution) titled “Options for the operationalization of the Fund’s Administrative Tribunal”:*

- (a) *Decides* to recognize the jurisdiction of the administrative tribunal of the International Labour Organization in respect of disputes involving a member of staff of the Secretariat or any of the independent accountability units;
- (b) *Recognizes* that judgments handed down by the administrative tribunal of the International Labour Organization in respect of staff of the Secretariat and the independent accountability units will be legally binding on the GCF;
- (c) *Requests* the Executive Director to take the necessary steps to notify the Governing Body of International Labour Organization of the Board’s decision to recognize the jurisdiction of the administrative tribunal of the International Labour Organization;
- (d) *Also requests* the Secretariat to notify the Board once the Governing Body of International Labour Organization has approved of the Board’s decision on this matter and the arrangements for addressing disputes involving a member of staff of the Secretariat or any of the independent accountability units have become operational;
- (e) *Decides*, pending the approval referred to in paragraph (d) above, that any disputes involving a member of staff of the Secretariat or any of the independent accountability units which have exhausted all internal dispute settlement procedures without resolution shall be referred to international arbitration, to be determined by a sole arbitrator with expertise in international administrative law;
- (f) *Requests* the Secretariat to make the necessary arrangements for such international arbitration as a matter of urgency; and
- (g) *Decides* that the GCF shall bear all administrative costs in connection with such arbitration, including the arbitrator’s fees and relevant institutional costs but excluding the staff member’s legal costs, unless the arbitrator determines otherwise.

**Agenda item 23: Election of Co-Chairs**

614. The Co-Chairs opened the agenda item and invited Board members to submit their nominations for the election of the new Co-Chairs to serve on the Board for 2017.
615. A member of the developing country constituency reported that their constituency nominated Mr. Ayman Shasly as Co-Chair.
616. A developed country constituency representative announced the nomination of Mr. Ewen McDonald to continue as Co-Chair.
617. Seeing no objections, the Co-Chairs noted consensus on the election of Mr. McDonald and Mr. Shasly as Co-Chairs.
618. The outgoing Co-Chairs expressed their profound gratitude to the Board members and Secretariat staff for their helpful and constructive approach to the work of the Board over the elapsed year, and to all accredited entities and national governments for their support. They expressed particular appreciation to the heads of their respective teams of advisers, Mr. Richard Sherman and Mr. David Higgins, as well as to their teams, for their outstanding work and vital role in supporting the work of the Co-Chairs and the Board.
619. Mr. McDonald expressed his compliments to outgoing Co-Chair Mr. Fakir for his dedicated leadership of the Board and profound commitment to the GCF since the time of its inception. Mr. McDonald affirmed that he was looking forward to working in partnership with the incoming Co-Chair, Mr. Shasly, and his team, continuing on the positive course that had been set over the previous year.
620. The outgoing Co-Chair, Mr. Fakir, said that his mandate as Co-Chair had been a highlight of his career. He expressed feelings of dedication and emotional attachment to the work of the GCF and said the real satisfaction of serving the GCF came from the knowledge that through their compassion, humanity, integrity and professionalism, Board members were able to make a genuine difference to the lives of people all over the world.
621. The incoming Co-Chair, Mr. Shasly, expressed gratitude to Board members for their endorsement of his candidacy and congratulated Mr. McDonald and Mr. Fakir on their excellent stewardship of the Board over the elapsed year. Noting that the Board had accomplished a great deal throughout the course of 2016, while significantly improving its time efficiency and developing a harmonious spirit of teamwork, he pledged to serve both constituencies of the Board in his forthcoming mandate as Co-Chair.
622. The Board adopted the following decision:

### ***DECISION B.15/16***

*The Board:*

*Elects Mr. Ayman Shasly and Mr. Ewen McDonald as the Co-Chairs for a period of one year.*

## **Agenda item 24: Dates and venues of the following meetings of the Board**

623. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/23 titled “Dates and venues of the following meetings of the Board” and announced that they had received a formal letter from the Deputy Prime Minister of Tonga offering to host a Board meeting in the second half of 2017.
624. The Board member from Georgia said that his government had also offered to host a Board meeting in 2017.

625. The Board member from Egypt informed the Board that his government would be happy to host a Board meeting in 2017 and proposed to report to the Board at its following meeting with further details.

626. The Co-Chairs thanked the Board members for the offers of their respective governments to host Board meetings. They reminded the Board that the draft decision currently scheduled all three meetings in 2017 to be held in Songdo. They stated that the offers received from countries to host meetings in 2017 would be noted.

627. Two Board members expressed the wish that the dates of B.17 be moved so as not clash with the week containing 4 July. Another Board member noted that if B.17 were held the week before the proposed dates, it would coincide with Ramadan, and suggested that instead it could be held one week later.

628. A Board member noted that according to the Rules of Procedure of the Board, the date and location of each Board meeting should be decided at the preceding meeting, and wished to know whether the current discussion entailed a departure from standard procedure, or whether the dates being discussed were merely provisional.

629. The Co-Chairs said that at the current stage they intended to confirm only the date and location of the following meeting (B.16), while also setting provisional dates for B.17 and B.18 so as to provide Board members with as much certainty as possible.

630. Another Board member requested that B.17 be held in the last week of June so as not to coincide with the summer holiday period in their constituency.

631. The Co-Chairs said that it would not be possible comply with that request because the last week of June would coincide with the Muslim festival of Eid al-Fitr. They instead suggested that B.17 be held in the second week of July 2017.

632. A Board member noted that the current proposed dates for B.18 would coincide with a national holiday in their country, as well as with the mid-autumn festival (Moon Festival) which was celebrated by many East Asian countries, and requested that those considerations be taken into account when deciding upon the dates for B.18. Another Board member underlined the need for Board meetings not to coincide with the annual meetings of the World Bank and the International Monetary Fund, which had been scheduled for the week after the proposed dates for B.18.

633. Another Board member noted the need to avoid moving B.17 to dates which would clash with the United Nations High-level Political Forum on Sustainable Development, which would be held in New York from 10 to 19 July 2017. They also reiterated the need to ensure that B.17 did not coincide with Eid al-Fitr.

634. The Co-Chairs invited the Board to approve the proposal to hold B.16 in Songdo from 4 to 6 April 2017, as stated in the document. With regard to the proposal to hold B.17 from 4 to 6 July 2017, they proposed that alternative dates, for example nearer the end of July, should be discussed during B.16. They also proposed that 27 to 29 September should be approved as the provisional dates for B.18.

635. A Board member noted that Board meetings were usually held in March, late June and October, and wished to know the reason behind the proposal to hold meetings in April, July and September, particularly in view of the relatively short interval between the proposed April and July meetings. The Board member expressed their reservations with regard to the proposed date changes, as well as to the practice of holding excessively short Board meetings and the consequent long-term deferral of a large number of agenda items.

636. The Co-Chairs said that the reason behind the proposal to hold B.16 in April 2017 was to give the Secretariat sufficient time in early 2017 to prepare for the meeting. Once the first

meeting of 2017 had been set for April, the dates for the following Board meetings had been calculated on the basis of three-month intervals between meetings. The October dates had been chosen to fit around the sessions of the COP and other important dates. The Co-Chairs took note of the reservations expressed with regard to the length of meetings and noted that one working week was usually set aside for each meeting, including informal meetings. That said, the possibility of extending the number of formal meeting days could also be considered. The Co-Chairs invited the Board to adopt the dates and venue of B.16 as contained in the draft decision, as well as the provisional meeting dates for B.17 and B.18, with a view to confirming the dates at the preceding meetings, respectively. In addition, the Co-Chairs stated that the Board would consider the proposals received from Egypt, Georgia and Tonga to host Board meetings, and the duration of B.16.

637. The CSO active observer drew attention to the reference in the document to the possibility of providing multi-entry visas to the Republic of Korea for Board members, alternate members and advisers from developing countries, and highlighted the need to also provide those visas to CSO active observers, registered observers and their advisers from developing countries. They requested the Secretariat to take account of that need during its negotiations on visas with the Government of the Republic of Korea.

638. The Co-Chairs took note of the comments made by Board members and the CSO active observer and invited the Board to take note of the document.

639. The Board took note of document GCF/B.15/23.

640. The Board adopted the following decision:

### ***DECISION B.15/17***

*The Board, having reviewed document GCF/B.15/23 titled "Dates and venues of following meetings of the Board":*

*Decides that:*

- (a) *The sixteenth meeting of the Board will be held from Tuesday, 4 April 2017, to Thursday, 6 April 2017, in Songdo, Incheon, Republic of Korea;*
- (b) *The seventeenth meeting of the Board will be held from Tuesday, 4 July 2017, to Thursday, 6 July 2017, in Songdo; with these dates to be confirmed at the sixteenth meeting of the Board; and*
- (c) *The eighteenth meeting of the Board will be held from Tuesday, 3 October 2017, to Thursday, 5 October 2017, in Songdo, with these dates to be confirmed at the seventeenth meeting of the Board.*

### **Agenda item 25: Other matters**

641. The Co-Chairs introduced the agenda item and opened the floor for comments.

642. A Board member, and the incoming Co-Chair, proposed that an informal Board meeting be held in the early part of 2017, recalling that the informal Board meeting held in early 2016 had been especially useful in guiding the work of the Board throughout the rest of the year. The Board member noted that two potential locations for such a meeting had been proposed by developing country Board members and developed country Board members may have other proposals. They invited the Board to discuss a suitable date and location.

643. Another Board member agreed on the positive impact that an informal Board meeting would have on the work of the Board, but suggested that the meeting should be held in the second half of the year in view of the heavy workload that Board members were due to face in the early part of 2017.

644. In contrast, a Board member said that the purpose of an informal Board meeting was to give direction to the work of the Board over the rest of the year; therefore, by definition, such a meeting should be held at the beginning of the year. In addition, noting that the 2016 informal Board meeting in Cape Town had been quite time-consuming because of the exceptional need to address the strategic plan, said Board member suggested that any 2017 informal Board meeting should be as concise as possible, lasting two or three days.

645. Another Board member requested that the informal Board meeting avoid the period from 27 January to 2 February 2017, which were the dates of a national festival in their country.

646. The Co-Chairs agreed on the benefit of holding an informal Board meeting and suggested further consultations with Board members on potential dates and locations for such a meeting.

647. There being no other matters, the item was closed.

## **Agenda item 26: Report of the meeting**

648. The decisions as adopted and their corresponding annexes were distributed to Board members in document GCF/B.15/24/Drf.01 "Decisions of the Board –fifteenth meeting of the Board, 13-15 December 2016" on 15 December 2016.

## **Agenda item 27: Close of the meeting**

649. The Co-Chairs opened the agenda item and invited the Board member for Samoa to take the floor.

650. Speaking on behalf the Government of Samoa, the Board member expressed optimism for the future work of the GCF and gratitude to the Board members, observers, representatives of CSOs and non-governmental organizations and all stakeholders of the GCF for having honoured Samoa with their presence, while requesting their understanding and forgiveness if any part of the visit had fallen short of their expectations.

651. Amb. Elisaia thanked the Co-Chairs for having accommodated the request of the host country to introduce new elements to the Board meeting, including the site visit, inaugural speech by the Prime Minister and farewell reception. Addressing his fellow Board members and paraphrasing the parting words of two paramount chiefs of the Pacific, he said that he would treasure the warmth and affection that Board members had shown for his country as long as he lived. Amb. Elisaia wished the guests all the best for their departure and invited members of the Samoan delegation to distribute gifts to the Board members as a token of his government's appreciation.

652. Outgoing Co-Chair, Mr. Fakir, said that while the Board members must leave Samoa, their roots would remain in the form of the trees they had planted during the site visit. The informal Board meeting hosted by the Government of South Africa in February 2016 had served to demonstrate people's capacity to achieve progress, and the same could be said of the Board meeting in Samoa, a country which, though often viewed simply in its category of 'small island developing States', harboured great potential in its people and their positive spirit. He

expressed the hope to return to Samoa to witness the progress of the Samoan project which had been approved for GCF funding at the current meeting.

653. Mr. Fakir addressed particular thanks to the Co-Chairs' respective teams of advisers. He reiterated that his time working as Co-Chair alongside Mr. McDonald had been a career highlight and that they had worked as one team in a spirit of fraternity. Similarly, despite the variety of backgrounds, origins and opinions among Board members, all were striving for the same purpose and he would consider them as lifelong friends. Finally, he expressed gratitude to the staff of the Secretariat, highlighting that the demands placed upon the Secretariat by the Co-Chairs had been a testament to the Co-Chairs' belief in the exceptional abilities of the Secretariat staff.

654. Mr. Leonardo Martinez-Diaz, who was due to step down from his position as Board member following the current meeting, said that it had been a great pleasure to be involved in the work of the GCF over the previous three years, especially in view of the vital importance of building more effective and efficient international organizations. He encouraged the Board to continue to build the resilience of the GCF to equip it to deal with the uncertain world that surrounded it, and expressed particular appreciation to the staff of the Secretariat, whose commitment and hard work had served as a source of inspiration throughout his time on the Board. Mr. Martinez-Diaz expressed gratitude to the delegation of the United States of America for their invaluable support and said that he hoped to again cross paths with the Board members in the future as part of his ongoing work in the field of climate finance.

655. The continuing Co-Chair, Mr. McDonald, announced that in addition to Mr. Martinez-Diaz, Mr. Carlos Raúl Delgado Aranda, Mr. Colin Young, Mr. Jorge Ferrer Rodriguez and Mr. Kamal Uddin Ahmed would be stepping down from their positions as Board members following the current meeting and thanked them and their teams of advisers for their valuable contribution to the work of the Board. The progress achieved over the previous year had exceeded the expectations of the Co-Chairs and demonstrated the commitment of all Board members to the work of the GCF. On behalf of the Board, he thanked Amb. Elisaia and the Government of Samoa for their commitment, professional approach and tireless work to host the Board meeting, confirming that their efforts had not fallen short of the expectations of the GCF, but exceeded them. He expressed gratitude to the Board members for their wise counsel and commitment to the work of the GCF and for having given him the opportunity to work as Co-Chair with Mr. Shasly and his team for the following year. Mr. McDonald also expressed appreciation to the staff of the Secretariat, including the Executive Director ad interim, for having risen to the challenge of holding the Board meeting outside GCF Headquarters, and especially to the Co-Chairs' teams of advisers, whose honesty, wisdom, commitment and immense breadth of knowledge of the GCF were unsurpassed.

656. The Co-Chairs closed the fifteenth meeting of the Board at 4:49 p.m. on Thursday, 15 December 2016.

## **Annex I: Terms of reference for the review of the financial terms and conditions of the Green Climate Fund's financial instruments**

### **I. Scope of the review**

1. The scope of the review will include an internal component, which takes stock of the projects and programmes approved by the Board and the GCF policies related to financial terms and conditions, and an external component, which takes stock of the practices with respect to the terms and conditions of financial instruments used by other organizations with policy mandates related to those of the GCF.
2. The review will take stock of the projects and programmes approved by the Board, including those that may be approved at its fifteenth meeting, and analyse to what extent the principles of decisions B.05/07 and B.07/06 have been followed in the assessment of the adequacy of the selected financial instruments. Such a review will take into account all the financial terms and conditions (interest rate, commitment fee, service fee, other fees if applicable, tenor and grace period of the financial instrument). The review will also take into account whether the project/programme is public or private, the theme (mitigation, adaptation or cross-cutting) and total project/programme size category (micro, small, medium or large).

### **II. Methodology**

3. Specifically, the review will:
  - (a) For all financial instruments, assess whether existing Board guidance has been correctly applied, including that contained in decisions B.09/04, B.05/07 and B.07/06, and make recommendations, if any, to enhance the application of this guidance. In particular, the assessment should take into account the need to tailor the level of concessionality to the overall impact of investment, consistent with decision B.05/07;
  - (b) For financial instruments extended to the public sector, review the application of the criteria used to assess the appropriateness of the financial instrument (grant, high concessional loan, low concessional loan) provided;
  - (c) For financial instruments extended to the private sector, identify emerging patterns and other issues which could lead to additional guidance on the parameters to be used for assessing private sector projects/programmes, including sector, geography and other characteristics of the project;
  - (d) For all projects/programmes with non-grant co-financing, compare financial terms and conditions approved by the Board compared with the financial terms approved by other project/programme co-financiers (where this information is available);
  - (e) Assess the impact that the conditions and covenants included in the approval of a project/programme has on the overall costs to the accredited entity (AE) and the executing entity. This assessment should include an assessment of the viability and ease of implementation of these conditions and covenants and their potential impact on enhancing the effectiveness of the project/programme;
  - (f) Assess the appropriateness of the AE fees for approved private sector projects and provide additional guidance on how to provide further clarity to AEs when preparing subsequent projects;

- (g) Assess the approach taken to measure the grant equivalence of each project/programme and proposed enhancements to the methodology;
  - (h) Assess that the terms and conditions are being applied in a way that provides appropriate incentives to carry out mitigation and adaptation activities while avoiding market distortions and the displacement of other sources of financing, including crowding out the private sector; and
  - (i) Assess how the concessionality provided to the AE by the GCF in approved funding proposals is passed on to the recipients of the project/programme, provided sufficient data is available.
4. Additionally, the review may be extended to assess the conditions and covenants applied to the project/programme with a view to gaining knowledge of their potential impact during implementation and ensuring that such conditions/covenants contribute to enhancing project/programme effectiveness without putting undue hindrance on recipients.
  5. The review will also take stock of practices with respect to the terms and conditions of financial instruments used by other organizations with policy mandates related to those of the GCF. Emphasis will be placed on any changes that may have taken place since October 2014, when the Secretariat provided the Board with a review of practices of other organizations providing concessional loans.<sup>1</sup> Institutions will include: the International Development Association, the Clean Technology Fund, the International Finance Corporation, the Global Environment Facility and large foundations providing both grant and non-grant financial instruments, such as the Bill & Melinda Gates Foundation.
  6. Additionally, particularly with respect to financial instruments provided to the private sector, the review will incorporate the practices of other institutions active in the area of climate financing, including at least one international financial institution, one national development bank, one fully private sector organization focused on climate-related investments in emerging markets and one foundation or non-governmental organization.

### **III. Deliverables**

7. The output of the review will be a report to the Board based on the assessment of the elements defined in chapter I above. The review may propose additions or adjustments to the adopted financial terms and conditions for the Board's consideration, consistent with GCF policies.
8. The first review is expected to generate lessons learned, not only related to GCF's financial terms and conditions, but also for conducting the review itself going forward. As the review is to be done annually, the review report may also propose adjustments to the scope of future reviews for the Investment Committee's consideration. The Investment Committee may then wish to modify this terms of reference for Board consideration.

### **IV. Reporting arrangements**

9. The external consultants supporting the review will report to the Secretariat, who will in turn report to the Investment Committee.

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<sup>1</sup> Please refer to document GCF/B.08/11 titled "Financial terms and conditions of grants and concessional loans".

## Annex II: Terms of reference of the review of the structure and effectiveness of the independent Technical Advisory Panel

### I. Objective of the review

1. The overall objective of the review is to ensure that the composition and capacity of the TAP allows it to perform the review of funding proposals in a timely way and with high quality delivery. The review will assess the structure and effectiveness of the Panel, and its ability to review funding proposals that have undergone the Secretariat's second level due diligence. It will also assess the TAP's role in the revised proposal approval process and in other potential functions where its expertise can provide value for the Fund and its stakeholders such as the accredited entities and the national designated authorities.

### II. Scope

2. In particular, the review will focus on the following aspects:

- (a) *Projected demands on the TAP and its associated capacity to assess funding proposals in terms of time commitment and range of technical expertise;*
- (b) *Panel composition, including balance in terms of geographic and technical expertise coverage;*
- (c) *Any specific gaps in the Panel's technical expertise that should be filled through the appointment of additional Panel members rather than ad hoc technical support;*
- (d) *Costings for the recruitment and employment of such additional Panel members;*
- (e) *Cost-effectiveness of the current modus operandi of the Panel;*
- (f) *The usage of the roster of experts established to support the work of ITAP and the adequateness of its budget allocation;*
- (g) *The current and potential roles of the Panel in the Fund's proposal approval process (including simplified processes for certain activities and concept notes), pipeline development strategies, and knowledge and learning functions, as well as the division of labour between the TAP and the Secretariat;*
- (h) *Working practices, including the timing of the Panel's reception of funding proposals and delivery of its assessment findings, the use of experts from the roster of experts available to ITAP, and the details and procedures of the feedback process with the Accredited Entities and the Secretariat;*
- (i) *The quality and usefulness of the TAP's recommendations to the Board; and*
- (j) *The potential effectiveness of extending the review of the Panel to other aspects that concern investments' appraisal such as the technical, economic and financial aspects which are detailed in the funding proposals' annexes.*

3. The review will take into account the relevant decisions of the Board and the terms of reference of the independent Technical Advisory Panel, as well as inputs from the Secretariat regarding the current and projected funding proposal pipelines. It will also take into account the limitations due to the short timeframe in which the Fund, and the Panel in particular, has been operational.

4. The review will provide recommendations on how the quality and effectiveness of the Panel's advice to the Board can be enhanced, through consideration of, inter alia:
- (a) *Additional capacity to fill gaps in technical expertise in areas where the current or foreseen level of demand so requires, as well as to meet the time demands for the review of the funding proposals;*
  - (b) *Possible redundancies in terms of geographic and technical expertise coverage, with respect to the observed needs related to the composition of the funding proposal pipeline;*
  - (c) *Areas in which the need for specialized knowledge is likely to arise, requiring the procurement of experts as external consultants;*
  - (d) *Ways to address the imbalances in the geographic balance noted by the Board in decision B.12/05, as well as any other imbalances that may be observed;*
  - (e) *Improvements and cost effectiveness in the operation of the Panel, including virtual and in-person discussions, standardization, clarity and quality of feedback, conditions and recommendations, and the individual or collective nature of the TAP review outcomes;*
  - (f) *Enhanced clarity of the role of ITAP and improvements in the way in which the Panel interacts with the AEs, the GCF Secretariat and the Board, drawing on the experience of the GCF and other similar funds, and regarding its roles and responsibilities, timing of interactions, provision of deliverables, etc.;*
  - (g) *Additional roles that the Panel may take to improve the operation of the Fund and its ability to generate a high-quality pipeline, such as providing strategic insight and lessons learned, or early feedback on concept notes;*
  - (h) *Changes in the role of the TAP in the Proposal Approval Process, including interaction with accredited entities at an early stage of project design and during the TAP's funding proposal review; and*
  - (i) *Additional capacity and budget needed to undertake those functions.*
5. In addition, the review will compare the current business model (Panel composed by individual part time consultants) with other possible solutions that can provide cost-effectiveness maintaining the same type of representation standards (geographical balance, gender balance, etc.). This may draw on experiences from other funds that have a similar technical panel function.

### III. Methodology

6. The review of the TAP's structure and effectiveness will be conducted by an independent third party (the consultant/firm) in collaboration with the Secretariat, and in consultation with the Investment Committee.
7. The consultant/firm will review, inter alia, the following documentation:
- (a) *The proposal approval process and the respective roles of the TAP and Secretariat in the review and assessment of funding proposals;*
  - (a) *The Terms of Reference of the Panel;*
  - (b) *The list of proposals submitted to the Panel;*
  - (c) *The work assigned to and conducted by each TAP expert;*
  - (d) *The TAP assessments for the funding proposals considered so far;*

- (e) *Records of the amount of days worked by each TAP expert;*
  - (f) *Records of the discussions in TAP meetings; and*
  - (g) *The composition of the expected future pipeline, to be provided by the Secretariat.*
8. The consultant will conduct interviews with the Panel's members to record potential gaps, recommendations and good practices that the Panel may have identified in the course of its operations.
9. The consultant will also conduct interviews with other stakeholders, including the Secretariat, members of the Investment Committee, Board members, Accredited Entities and other stakeholders to identify potential issues, needs and opportunities for improvement in the aspects under review.
10. The consultant will provide, in consultation with the Investment Committee, specific recommendations to improve the structure and effectiveness of the TAP, focusing on the aspects discussed in section II.

#### **IV. Deliverables**

11. An interim update on the status of the review report will be provided to the Investment Committee prior to the final report. The final report will be presented to the Board at its 17<sup>th</sup> Meeting.

## Annex III: List of conditions and recommendations

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

Funding proposal number	Conditions
All proposals	<p><u>Conditions to be met prior to the execution of the Funded Activity Agreement:</u></p> <ul style="list-style-type: none"> <li>(i) Finalization of legal documentation in form and substance satisfactory to the GCF Secretariat within 180 days of the date of Board approval or the date when all internal approvals by the Accredited Entity are obtained, or the date of effectiveness of the AMA entered into with the relevant Accredited Entity, whichever is later;</li> <li>(ii) Completion of the legal due diligence to the satisfaction of the GCF Secretariat;</li> <li>(iii) Submission of a certificate in a form and substance that is satisfactory to the GCF Secretariat, within 120 days after Board approval, or the date of effectiveness of the AMA entered into with the relevant Accredited Entity, confirming that the Accredited Entity has obtained all final internal approvals needed to he project/programme and it has the capacity and authority to implement the proposed project/programme.<sup>1</sup></li> </ul> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <ul style="list-style-type: none"> <li>(iv) Fulfilment of any conditions precedent specified in the funded activity agreement to the satisfaction of the GCF Secretariat.</li> </ul>

**Table 2. General recommendation to the Board**

Funding proposal number	Recommendation
All proposals	Disbursements by the GCF should be made only after the GCF has obtained satisfactory protection against litigation and expropriation in the country where the project/programme will be implemented, or has been provided with appropriate privileges and immunities in that country.

**Table 3. Conditions and recommendations proposed<sup>2</sup>**

Funding proposal number	Conditions and recommendations
FP 028 (XacBank Mongolia)	<p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>(i) Investigate the possible integration of a third-party energy savings insurance programme (e.g. the Climate Technology Centre and Network, the Technology</li> </ul>

<sup>1</sup> For FP036 (Asian Development Bank; Pacific Islands Renewable Energy Investment Program), the certificate, in a form and substance that is satisfactory to the GCF Secretariat, confirming that the Accredited Entity has obtained all final internal approvals needed to the programme and that it has capacity and authority to implement the programme shall be submitted to the Fund within 240 days after Board approval, or the date of effectiveness of the AMA entered into with the accredited entity, whichever is later.

<sup>2</sup> The conditions set out in FP 028, FP 029, and FP 030 are in addition to those set out in the term sheets / confirmations for the relevant funding proposal.



	<p>Needs Assessment, local energy service companies, etc.) to fully eliminate the burden of technological risk, in order to ensure the complete success of the programme.</p> <p><b>Conditions:</b></p> <p>(i) The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement (FAA) of a covenant to the XacBank LLC to ensure that the concessionality provided by the GCF is passed on to the end beneficiaries and to report annually to the GCF Secretariat in the annual performance reports that the concessionality is passed on, benchmarked with similar types of transactions that do not benefit from the GCF concessionality; and</p> <p>(ii) XacBank LLC shall submit, prior to the execution of the FAA, to the GCF Secretariat a plan to the satisfaction GCF Secretariat for financing USD 500,000 as a grant component for a dedicated technical assistance facility (with the remaining USD 19,500,000 to be invested in accordance with the funding proposal), for the purpose of: (i) building capacity of the end-beneficiaries to take advantage of the initiative; (ii) preparing a list of eligible energy efficiency/renewable energy technologies; and (iii) improving monitoring and evaluation of the initiative.</p>
<p><b>FP 029</b> (DBSA South Africa)</p>	<p><b>Conditions:</b></p> <p><u>The approval of the funding proposal shall be conditional on the following provisions being included in the Funded Activity Agreement:</u></p> <p>(i) In the event that the Executing Entity's advisory committee decides to actively pursue a portfolio of activities in one of the GCF's adaptation results areas, the Accredited Entity shall, prior to the first disbursement by the Executing Entity in connection with such result area, provide to the GCF:</p> <p>(a) a revised logical framework for the relevant adaptation result area;</p> <p>(b) the adaptation core indicators to quantify the number of direct and indirect beneficiaries;</p> <p>(c) the relevant GCF performance management framework indicators for the selected adaptation impact; and</p> <p>(d) outcomes and project level indicators.</p> <p>(ii) Each annual performance report required to be delivered to the GCF following the inclusion of a portfolio within an adaptation results area, shall include the baselines and midterm/final targets for the indicators referred to above.</p> <p><b>Additional condition:</b></p> <p>(i) The proposed GCF financial assistance of USD 12.2 million is to be divided into two tranches of approximately 50%. The disbursement of the second tranche will be contingent upon the satisfactory evaluation of SCF Capital Solutions' operational performance to be confirmed by the accredited entity and the Secretariat, including the utilization of the committed capital of higher than 80 per cent and the level of NPL of lower than 2 per cent of the total exposure in an annual average.</p> <p>Further conditions:</p> <p>(ii) Submission of the evaluation referred to in the immediately preceding condition to the Board, prior to the disbursement of the second tranche from the GCF to the accredited entity. As part of the evaluation, DBSA to review its ability to participate directly in the fund with a contribution from its own balance sheet.</p>



	<p>(iii) The Partnership Agreement committing the Executing Entity to extend no less than 90% of its capital in working capital loans to support renewable energy and energy efficiency activities, with up to 10% of its capital extended to support other activities in the GCF's result areas. This allocation may be altered by the Advisory Committee following the end of the two-year period starting on the date of the first disbursement by the Executing Entity.</p> <p>(iv) DBSA submitting, prior to the first disbursement, a theory of change for the Programme, and a revised monitoring and evaluation framework in a form and substance satisfactory to the Secretariat and the independent Technical Advisory Panel (iTAP), which includes, but is not limited to: (i) how impacts will be measured; (ii) how the Fund's environmental and social safeguard policies will be implemented; and (iii) how the Programme will comply with applicable national laws.</p> <p>(v) The information relating to the Programme's impacts included in the annual performance report being provided by DBSA to be verified by an independent third party.</p> <p>(vi) The credit committee of the Executing Entity including at least one member who is a climate change specialist, who will ensure that the underlying MSME activity will be consistent with the results areas of the GCF.</p> <p>(vii) DBSA including in its risk management process an element assessing the Executing Entity's ongoing capacity to implement the Programme.</p> <p>(viii) For as long as the GCF participates in the Programme, SCF Capital Solution's (the fund manager's) share of profits shall be 5%.</p>
<p><b>FP 030</b> (IDB Argentina)</p>	<p><b>Condition:</b></p> <p>(i) The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement of a covenant to the AE to ensure that any concessionality provided by the GCF is passed on to the underlying projects.</p>
<p><b>FP 033</b> (UNDP Mauritius)</p>	<p><b>Conditions:</b></p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(i) Delivery by the Accredited Entity of an indicative disbursement schedule for the disbursement of the GCF Proceeds by the Fund for the implementation of the Project; and</p> <p>(ii) Delivery by the Accredited Entity of a certificate, in form and substance that is satisfactory to the Fund, which has been signed by the most senior legal officer of UNDP confirming that the FAA entered into by UNDP has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the Accredited Entity, and is legally binding upon UNDP in accordance with its terms.</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For 1st disbursement for Phase 1:</i></p> <p>(iii) Delivery by the Accredited Entity of an executed copy of the Subsidiary Agreement, in the form of a UNDP Project Document, between the Accredited Entity and the Executing Entities; and</p> <p>(iv) Submission of an updated procurement plan to the satisfaction of the Fund.</p> <p><i>For 2<sup>nd</sup> disbursement for Phase 1:</i></p>



	<p>(v) The loan agreement between Agence Française de Développement (AFD) and CEB in the amount of at least USD 18.7 million for the financing of Phase 1 of Component 2 is duly signed and effective.</p> <p><i>For 1st disbursement for Phase 2:</i></p> <p>(vi) The interim independent evaluation report of the Project upon completion of Phase 1 is provided by UNDP to the Secretariat, and such report and the Phase 1 of the Project having been assessed by the Secretariat as satisfactory and successful as per the criterion specified in the Funding Proposal; and</p> <p>(vii) Provision by UNDP of a written confirmation to the GCF from AFD concerning the availability of the loan facilities amounting to USD 19.2 million for financing of Phase 2 of sub-component 2.3.</p> <p><b>Additional condition:</b></p> <p><i>Precedent for disbursement for phase 2:</i></p> <p>(i) Provide an action plan, demonstrating continual operation of MARENA during the entire lifespan of the project, as part of phase 1 evaluation report.</p>
<p><b>FP 034</b> (UNDP Uganda)</p>	<p><b>Conditions</b></p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(i) Delivery of a certificate, in a form and substance that is satisfactory the Fund, which has been signed by the most senior legal officer of UNDP confirming that the FAA entered into by UNDP has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the Accredited Entity, and is legally binding upon UNDP in accordance with its terms;</p> <p>(ii) Delivery by the Accredited Entity of an indicative disbursement schedule for the disbursement of the GCF Proceeds by the Fund for the implementation of the Project; and</p> <p>(iii) Submission by UNDP to the Secretariat of a revised logic framework including the quantifiable and measurable inputs at activity level, which will contribute to the project objective.</p> <p><u>Conditions for disbursements under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(iv) Delivery to the GCF by the Accredited Entity of an executed copy of the Subsidiary Agreement, in the form of a UNDP Project Document, between the Accredited Entity and the Executing Entity.</p> <p><i>For second disbursement:</i></p> <p>(v) Confirmation by UNDP to the GCF Secretariat, in the annual performance report, that the following studies were conducted and completed:</p> <p>(a) Detailed design study of the small-scale water storage and detention facilities, and detailed plans for silt traps drainage, flood control and maximum water recuperation (Component 1);</p> <p>(b) Suitability assessment of agricultural and water management techniques in the project sites, cost-benefit analysis, and market study in the target wetland areas to identify gaps, employment needs and income streams that are resilient to climate change, including market viability assessment (Component 2);</p> <p>(c) Technical design study for the meteorological and hydrological infrastructure, capacity assessment of existing meteorological and hydrological technicians, identification of products and required data for producing bulletins and</p>

	<p>advisories based on community defined criteria, and viability assessment of different sources of revenues for SMS-based and traditional communication systems to deliver climate information (Component 3); and</p> <p>(d) Cost analysis of wetlands restoration in each of the project districts.</p> <p>(vi) Submission by UNDP to the GCF Secretariat of the reviewed cost of wetlands restoration in each district based on the results of site-specific studies.</p> <p><i>For fifth disbursement:</i></p> <p>(vii) Submission by UNDP to the GCF of a detailed operations and maintenance plan for the meteorological and hydrological infrastructure during project implementation and after project completion.</p> <p><i>General conditions for all disbursements (except for the first disbursement):</i></p> <p>(viii) Delivery of evidence indicating the status and amount of the co-financing funds disbursed and applied the Project's implementation activities up to the date of the request for funds made by UNDP.</p> <p><b>Additional conditions:</b></p> <p>(i) The accredited entity shall ensure that the logical framework is revised, clearly articulating targets for each activity, thereby avoiding any potential scope for double counting the number of beneficiary households, and submit it to the GCF Secretariat prior to the execution of the funded activity agreement (FAA), in a form and substance satisfactory to the GCF Secretariat;</p> <p>(ii) The accredited entity shall develop and deliver to the GCF, in a form and substance satisfactory to the GCF Secretariat, a monitoring and evaluation plan, no later than six months after the first disbursement; and</p> <p>(iii) Taking into consideration the written support of the Government of Uganda towards establishing an Operations and Management and Sustainability Unit and its commitment to finance the unit, the accredited entity shall ensure that the long-term sustainability of the functioning of the early warning system, including the management of climate information, is integrated into an operation and Maintenance plan to be submitted to the GCF Secretariat, prior to the second disbursement, in a form and substance satisfactory to the GCF Secretariat.</p>
<p><b>FP 035</b> (SPREP Vanuatu)</p>	<p><b>Conditions:</b></p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(i) Delivery by the Accredited Entity of a certificate, in a form and substance that is satisfactory the Fund, which has been signed by the most senior legal officer of SPREP confirming that the FAA entered into by SPREP has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of SPREP, and is binding upon SPREP in accordance with its terms;</p> <p>(ii) The Subsidiary Agreement/Executing Partner Agreement between SPREP and the Government of Vanuatu is duly signed and effective;</p> <p>(iii) Delivery by the Accredited Entity of a procurement plan in form and substance satisfactory to the Fund; and</p> <p>(iv) Delivery by the Accredited Entity of an indicative disbursement schedule for the disbursement of the GCF Proceeds by the Fund for the implementation of the Project.</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p>

	<p>(v) Assessment of the capacity of the VMGD to implement components of the Project, to SPREP's satisfaction. The assessment report should be submitted for information to the Secretariat;</p> <p>(vi) Delivery of a due diligence report to the Fund ascertaining no conflict of ownership of the lands where the automatic weather stations and Doppler radar under Component 4 will be installed; and</p> <p>(vii) Provision of an operations and maintenance plan, including indicative budget allocation, for the automatic weather stations and Doppler radar to be purchased with GCF Proceeds, to the Fund's satisfaction.</p> <p><b>Additional Conditions:</b></p> <p><i>Prior to the effectiveness of the Funded Activity Agreement:</i></p> <p>(i) The project should deliver a long-term management and monitoring arrangement plan (beyond the four years of project completion), including a budget to ensure the sustainability and maintenance of the system.</p> <p><i>Prior to second disbursement:</i></p> <p>(iv) A complete assessment of the information, meteorological services and risk management systems currently in place from previous or related projects, and arrangements to use them for the project objectives;</p> <p>(v) A theory of change that connects end user needs and the design of the technological platform, including the five components and sectors involved in the project;</p> <p>(vi) A workplan with identified packages of work to be undertaken with concrete outputs, linking the five components and ensuring intake from sectors and territories. The workplan should include specific recipients of project funds based on comparative expertise, value for money and a proposal to transfer knowledge. It should also include an assessment of sectoral and market demands for the information services, including arrangements to ensure access to the information by end users in a commercial or free of charge manner and future activities to integrate local and technical knowledge;</p> <p>(vi) Development of the project costs with greater clarity on the international and national assistance needed, budget categories, and in-country investments so as to ensure gradual intake of the system by the government;</p> <p>(vii) A coordination agreement that ensures better project intake by the Vanuatu Meteorology and Geohazards Department, including a well design technological transfer arrangement and exit strategy by SPREP;</p> <p>(viii) A full operational and maintenance plan of the radar system, including an institutional arrangement to make it effective.</p> <p><b>Further conditions and recommendations:</b></p> <p><u>Conditions:</u></p> <p>(i) The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement of a covenant that GCF Proceeds will not be used to finance scholarships.</p> <p><i>Conditions prior to the execution of the Funded Activity Agreement:</i></p> <p>(ii) The Accredited Entity shall provide to the Board, through the Secretariat:</p> <p>(a) The resubmission of the project budget, subject to the satisfaction of the GCF Secretariat, with the view to improve cost-efficiency, particularly associated</p>
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	<p>with the international consultancies and the equipment to be purchased, including the Doppler radar; and</p> <p>(b) The justification for the revised budget;</p> <p>(iii) The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement of the new amount resulting from the budget revision.</p> <p><u>Recommendations:</u></p> <p>(i) The Accredited Entity to provide a strategy for the implementation of Activity 1.5, demonstrating how training and capacity development initiatives that will ensure retention of skills within relevant Vanuatu agencies to support project outcomes during and beyond GCF project implementation.</p> <p>(ii) The Accredited Entity to seek alternative sources of financing for support of scholarships and/or formal traineeships.</p>
<p><b>FP 036</b> (ADB Pacific RE)</p>	<p><b>Conditions:</b></p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(i) Delivery by the Accredited Entity of an indicative disbursement schedule for the disbursement of the GCF Proceeds by the Fund for the implementation of the Programme; and</p> <p>(ii) Delivery of a certificate, in form and substance that is satisfactory to the Fund, which has been signed by a legal officer of ADB, confirming that the FAA entered into by ADB has been duly authorized by all necessary corporate actions, duly executed and delivered on behalf of ADB, and is binding upon ADB in accordance with its terms.</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(iii) Confirmation by ADB to the GCF Secretariat that the Subsidiary Agreements for the implementation of Subproject 1 and the relevant letter agreements with the Target Countries for Subproject 2 have become effective;</p> <p>(iv) With respect to Subproject 1, ADB shall provide the GCF with legal opinions it shall receive from the Government of Cook Islands and TAU as a condition to effectiveness, addressed to ADB, in its capacity as Accredited Entity, which it shall have accepted to confirm that the obligations undertaken by the Government of Cook Islands and TAU under the CI Grant Agreement and CI Project Agreement, respectively, are valid and enforceable;</p> <p>(v) Provision of a new logical framework clearly defining deliveries and indicators of the Subproject 2 (technical assistance); and</p> <p>(vi) Provision of a monitoring and evaluation plan for the programme at subproject level.</p> <p><b>Additional conditions and recommendation:</b></p> <p><u>Conditions:</u></p> <p>(i) The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement of a covenant that GCF Proceeds will not be used for project preparation activities such as feasibility studies, environmental and social safeguards documents, financial modeling, and other related activities that are eligible for the GCF Project Preparation Facility. The USD 5 million grant for</p>

	<p>technical assistance under the GCF Proceeds will only be used as a means to strengthen capacity building and sector reform;</p> <p>(ii) The amount of USD 5 million in grant financing to support project preparation for subsequent sub-projects shall be secured by the AE from internal sources. Additional grant financing for project preparation, as required, shall be secured by the AE from internal and external sources.</p> <p>(iii) Prior to the execution of the Funded Activity Agreement, the AE shall submit to the GCF Secretariat the revised funding proposal and associated documents reflecting the changes related to the removal of the project preparation activities from the GCF Proceeds.</p> <p><u>Recommendation:</u></p> <p>(i) To coordinate the programme with similar projects and programmes related to climate change in the region to avoid duplication.</p> <p>(ii) The approval of the funding proposal will not prejudice any further approvals of subsequent projects that may be proposed to the GCF as part of the Pacific Islands Renewable Energy Investment Programme.</p>
<p><b>FP 037</b> (UNDP Samoa)</p>	<p><b>Conditions from the GCF Secretariat:</b></p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(i) Delivery of a certificate, in a form and substance that is satisfactory to the Fund, which has been signed by the most senior legal officer of UNDP confirming that the FAA entered into by UNDP has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the Accredited Entity, and is legally binding upon UNDP in accordance with its terms.</p> <p>(ii) Delivery by the Accredited Entity of an indicative disbursement schedule for the disbursement of the GCF Proceeds by the Fund for the implementation of the Project.</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(iii) Delivery to the GCF by the Accredited Entity of an executed copy of the Subsidiary Agreement, in the form of a UNDP Project Document, between the Accredited Entity and the Executing Entity.</p> <p><i>For second disbursement:</i></p> <p>(iv) Delivery to the GCF, in a form and substance satisfactory to the GCF, of an operational manual containing detailed guidelines and procedures for the implementation of the Activity 2.2., to be prepared by the Executing Entity under terms of reference. Those Terms of Reference are to be satisfactory to the Accredited Entity, aligned to the Funding Proposal, and to be submitted to the GCF. This document should include i.a. requirements for financial arrangements, business procurement, eligibility and selection criteria for beneficiaries and typology of investment &amp; measures.</p> <p><b>Additional conditions and recommendations:</b></p> <p><u>Conditions:</u></p> <p>(i) The accredited entity shall deliver to the GCF, prior to the first disbursement, a draft terms of reference for the sub-activity 1.1.1 titled “Review of the</p>

	<p>interdependence of flood mitigation options”, in a form and substance satisfactory to the GCF Secretariat;</p> <p>(ii) The accredited entity shall confirm to the GCF Secretariat, within six months after the mid-term evaluation, that the executing entity has undertaken and completed an assessment of its O&amp;M capacities, including the necessary financial, human and material needs for the sustainability of the infrastructure components of the project (river works and drainage system);</p> <p>(iii) The accredited entity shall complete, six months after the first disbursement, the capacity assessments of the main implementing entities (e.g. the Ministry of Finance, the Ministry of Natural Resources and Environment, the Land Transport Authority, the Ministry of Health and the Ministry of Works, Transport and Infrastructure);</p> <p>(iv) The accredited entity shall deliver to the GCF, six months after the first disbursement, a description of the selection criteria to be used for the ecosystem activities (sub-activity 2.2), in a form and substance satisfactory to the GCF Secretariat. These criteria should take into consideration the fact that agricultural activities must consist of proper agroforestry systems, which involves planting agricultural crops together with tree crops, bearing in mind the need for high crop diversity and avoiding the use of biocides; and</p> <p>(v) The accredited entity shall ensure that, within 12 months after the effectiveness of the funded activity agreement, an operational manual containing detailed guidelines and procedures for the implementation of sub-activity 2.2 is prepared and delivered to the GCF, in a form and substance satisfactory to the GCF Secretariat. The document should include, inter alia, financial arrangements, business procurement, eligibility and selection criteria for beneficiaries, and the typology of investments and measures.</p> <p><b>Recommendation:</b></p> <p>(i) That the accredited entity ensures the maximum synergies between the sewerage studies and the drainage master plan studies with a view to reducing costs and population disturbance during the execution of works (which will not take place as part of this project).</p> <p><b>Further condition:</b></p> <p>(i) The accredited entity shall provide, six months after the first disbursement, a project-level monitoring and evaluation plan, including gender indicators in the logical framework and refine how lessons will be extracted and shared.</p>
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## **Annex IV: Term sheets**

12. This annex is a limited distribution annex referring to limited distribution Board document (Annex IV to document GCF/B.15/13/Add.18).

## Annex V: Status of accredited entities addressing accreditation conditions

1. During the ninth, tenth, twelfth and fourteenth meetings of the Board, 41 entities were recommended by the Accreditation Panel (AP) and accredited by the Board, some of which were accredited with conditions and others with recommendations or remarks from the AP. All accredited entities are required to submit to the AP, through the Secretariat, information and supporting documents on how they have addressed the condition(s). The AP thereafter assesses whether the condition(s) has/have been met. Following decision B.10/06, paragraph (e), the assessment of the AP, as contained in tables 5 and 6 below, is communicated to the Board by the Secretariat, on behalf of the AP, for information purposes.
2. Table 5 includes the accredited entities for which conditions of accreditation have been “fulfilled and closed”. These entities may have had recommendations or remarks raised by the AP as a part of those entities’ recommendation for accreditation, which may be “fulfilled” or “in progress”.
3. Table 6 includes the accredited entities for which conditions of accreditation, in part or whole, are “in progress”. These entities may also have recommendations or remarks raised by the AP.

13. **Table 5: Accredited entities that have closed accreditation conditions (as at 30 November 2016)**

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
Acumen Fund, Inc. (Acumen) <sup>1</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(i) Publishing on its website the terms of reference that outline the purpose, authority and accountability of the function;	Fulfilled and closed	As reported in document GCF/B.11/03, a publicly available link to the entity’s anti-corruption policy that describes its investigation function is available on the entity’s website
			Conditions prior to the first disbursement by the GCF for an approved project/programme	(ii) Ensuring the functional independence of the responsible officer;	Fulfilled and closed	As reported in document GCF/B.11/03, the investigation policy approved by the entity’s board provides assurance of independence

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			to be undertaken by the entity			
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iii) Including guidelines for processing cases, and standardized procedures for handling complaints and managing cases before, during and after the investigation process; and	Fulfilled and closed	As reported in document GCF/B.11/03, the investigation policy provides the required elements. No assessment is made at this time of the effective implementation of the policy approved by the board of Acumen. Although not a requirement as part of the condition, the entity is addressing a request from the AP for evidence of the effective implementation of the policy
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iv) Defining a process for periodically reporting case trends	Fulfilled and closed	As reported in document GCF/B.11/03, provision has been made to report case trends to the Audit and Finance Committee on a periodic basis
		Gender	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(i) Develop a gender policy; and	Fulfilled and closed	The AP concluded that the Acumen gender policy (published on the entity's website), including approval of the policy by its board, a comprehensive report on the implementation of the policy, and strategies and action plans outlined in the

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
						policy as provided by the entity, represent sufficient evidence to close the condition
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Obtain the competencies required in order to implement the policy	Fulfilled and closed	The AP concluded that the information provided on the gender-related competencies and resources was sufficient evidence to ascertain that competencies are available in Acumen and its partner organizations to effectively manage, monitor and address gender-related issues by implementing its gender policy
	Recommendations	ESS <sup>2</sup>	None	It is recommended that the applicant seek to deepen its knowledge of the interim ESS of the GCF, while further developing its relatively new ESMS <sup>3</sup> processes in order to support a potential future application for accreditation against medium E&S <sup>4</sup> risk level Category B/I-2. It is additionally recommended that the applicant strengthen its E&S reporting function	In progress	As reported in document GCF/B.11/03, the entity is actively seeking to deepen its knowledge of the interim ESS of the GCF. In the event that it endeavours to undertake projects with medium E&S risk Category B/I-2 in the future, it will upgrade its ESMS and seek an upgrade in its accreditation type accordingly  Acumen participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
Africa Finance Corporation <sup>5</sup>	Conditions	Gender	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Develop a gender policy consistent with the gender policy of the GCF to be applied in projects and programmes funded by the GCF	Fulfilled and closed	The entity submitted its gender policy including evidence of approval by its board. The approved gender policy provided by the entity complies with the requirements regarding the development of a gender policy that is consistent with the Gender policy of the GCF
	Recommendations	ESS		It is recommended that the applicant seek external assistance so as to further develop its E&S policy and its application as appropriate for the type of activities for which it will seek finance from the GCF	In progress	The entity informed the GCF that it had hired an experienced E&S Risk Manager who would commence duty in September 2016. The entity had also retained the services of an E&S consulting firm that is had engaged for the last three years. The AP requested the entity to provide the curriculum vitae of the E&S Risk Manager. In addition, the entity was requested to confirm if it is working on developing its E&S policy, as appropriate, regarding its anticipated engagement with the GCF
		Fiduciary		Relating to the investigation function: It is recommended that the applicant complement its investigation function with a mechanism, such as a link on its website, in order to receive and process third-	In progress	The AP takes note that the entity has informed the GCF that it had provided an e-mail address which is available on its website to receive third-party complaints, however, the AP was only able to find a general inquiry e-mail link and unable to identify the link to this e-mail address on

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				party complaints that arise from projects financed by the applicant		the applicant's website in relation to the entity's investigation function
Agence Française de Développement <sup>6</sup>	Recommendations	ESS		The AP recommends that the applicant finalize the implementation of its stakeholder response mechanism and make the contact information for submitting and registering a complaint publically available on its website	In progress	The entity informed the GCF that its stakeholder response mechanism was presented to its board in March 2016, and it plans to integrate the mechanism in its procedures by the end of the third quarter of 2016. The recruitment of independent experts who will implement the procedures is under way and may be effective during the last quarter of 2016. The entity will provide relevant documentation for review by the AP after finalizing the implementation of its stakeholder response mechanism
				The applicant is currently developing a new ESS procedural framework for the period following 2016 and is requested to submit it to the Fund when it is ready.	In progress	The entity informed the GCF that it is currently working on publishing its new E&S policy externally, based on its E&S procedural framework approved in November 2015. The policy will be published by the end of 2016 following internal clearance. The entity will provide relevant documentation for review by the AP after publication of its E&S policy

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
Agency for Agricultural Development of Morocco <sup>7</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	<p>Relating to investigation function:</p> <p>1. Approve, through the applicant's board, the policies and procedures that pertain to investigations. The approved policy should contain the following elements:</p> <p>a. Publicly available terms of reference that outline the purpose, authority and accountability of the function;</p>	Fulfilled and closed	<p>The entity confirmed that its general director approved the policies and procedures that pertain to investigations. Furthermore, the applicant stated in its recently developed investigations function manual that "[The] manual of fraud prevention is published with the permission of governance bodies and management of the ADA"</p> <p>The entity provided a copy of its recently developed investigations function manual, which contains the required elements to comply with the GCF basic fiduciary standard regarding investigations</p>
				<p>b. Guidelines to process cases, including standardized procedures to handle complaints received and to manage them before, during and after the investigation process; and</p>	Fulfilled and closed	<p>The entity provided a copy of its recently developed investigations function manual, which contains the required elements to comply with the GCF basic fiduciary standard regarding investigations</p>

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
				c. A registry specifically for cases of fraud and corruption;	Fulfilled and closed	The entity provided a copy of its recently developed investigations function manual, which contains the required elements to comply with the GCF basic fiduciary standard regarding investigations
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	2. Publish both (a) and (b) above; and	Fulfilled and closed	The entity provided a copy of its recently developed investigations function manual, which contains the required elements to comply with the GCF basic fiduciary standard regarding investigations
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	3. Formalize the process for periodically reporting case trends.	Fulfilled and closed	The entity provided a copy of its recently developed investigations function manual, which contains the required elements to comply with the GCF basic fiduciary standard regarding investigations

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
Centre de Suivi Ecologique (CSE) <sup>8</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Related to the investigation function: (i) Publishing on its website terms of reference that outline the purpose, authority and accountability of the function;	Fulfilled and closed	The policy has been published on the entity's website and it has been established that the website address is operational. As reported in document GCF/B.11/03, the external investigative function portion of the condition has been met
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Ensuring the functional independence of the responsible officer;	Fulfilled and closed	The entity has confirmed the independence of the internal control officer. As reported in document GCF/B.11/03, with regard to external investigations, the functional independence of the responsible officer has been established
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iii) Including guidelines for processing cases, and standardized procedures for handling complaints and managing cases before, during and after the investigation process; and	Fulfilled and closed	As reported in document GCF/B.11/03, guidelines for processing cases for internal investigations are provided for in the policy for preventing and combating fraud and corruption of CSE. The policy has been published on the entity's website and it has been established that the website address is operational

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iv) Defining a process for periodically reporting case trends	Fulfilled and closed	The policy which was formally established in December 2015 includes provisions for a process for reporting on case trends. As reported in document GCF/B.11/03, the reporting of case trends is provided for in the policy for preventing and combating fraud and corruption of CSE
		Gender	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(i) Develop a gender policy; and	Fulfilled and closed	A gender policy has been drafted, and the policy confirms that it will align with the Gender policy of the GCF. Furthermore, the gender policy includes actions plans. In this regard, it has provided key indicators for the purposes of monitoring progress
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Obtain the competencies required in order to implement the policy	Fulfilled and closed	The entity has appointed two focal points for gender-related matters. It has also benefitted from capacity-building activities and the action plan included in the gender policy provides for additional capacity-building so as to ensure that the entity is up to date with the latest gender-related developments  CSE participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
						direct access entities held at GCF Headquarters in September 2015
	Recommendations	ESS		It is recommended that the applicant seek to deepen its knowledge of the interim ESS of the GCF, while further developing its ESMS in order to support a potential future application for accreditation against medium E&S risk level Category B/Intermediation 2 (I-2)	In progress	As reported in document GCF/B.12/07, the AP is reviewing the information submitted by the entity on its environmental and social policy and grievance management mechanism, and procedures for the mitigation of E&S risks and impacts, which was submitted in an effort to support the entity's potential future application for accreditation against medium E&S risk level Category B/I-2  CSE participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
Conservation International Foundation <sup>9</sup>	Recommendations	ESS		It is recommended that the applicant seek to deepen its knowledge and application of the interim ESS of the GCF in order to support a potential future upgrade of its accreditation to medium	In progress	As reported in document GCF/B.12/07, the entity informed the GCF that it will deepen its knowledge of the interim ESS of the GCF. Through implementation of the projects of the GCF, it will acquire experience in applying the interim ESS of the GCF. The entity has submitted an application for an upgrade of its

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				E&S risk level Category B/I-2		accreditation type from minimal to no E&S risk Category C/I-3 to Category B/I-2
Corporación Andina de Fomento (CAF) <sup>10</sup>	Conditions	ESS	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(i) Ensure that project-specific performance standard 2 is fully aligned with the ESS of the GCF when it is applied in projects, and to strengthen its monitoring and review of E&S <sup>6</sup> risks and impacts, as part of its ESMS; <sup>7</sup> and	Fulfilled and closed	The entity provided a full set of procedures and manuals for E&S safeguards of its operations approved by its senior management in May 2016
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Approve by senior management, the consolidated blueprint for E&S management and communicate the blueprint within the organization and to its executing entities	Fulfilled and closed	The entity provided additional information on its E&S safeguards management manual approved by its senior management. The consolidated manual meets all internal standards and specifications, including the safeguard on working and labour conditions
Development Bank of Southern Africa <sup>11</sup>	Conditions	ESS	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Develop an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public	Fulfilled and closed	The entity has provided the evidence on its establishment of a complaints register on its website. The register is fully functional

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
	Recommendations	ESS		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	Fulfilled	The entity provided information on knowledge-sharing with national entities its region that are in the process of applying for GCF accreditation
European Investment Bank <sup>12</sup>	Recommendations	Gender		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	In progress	The entity has been requested to provide information on the efforts it is taking to address the remark. The GCF is waiting for a response from the entity on the expected time frame for providing the information
International Bank for Reconstruction and Development and International Development Association	Recommendations	ESS		The applicant is currently undertaking a review and possible revision of its own ESS and is requested to keep the GCF informed of	In progress	As reported in document GCF/B.12/07, the entity informed the AP of updates regarding its review of its ESS, which are published on its website. The AP noted the progress made towards the revision. The AP requested the entity to provide further

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
(together known as the World Bank) <sup>13</sup>				developments in this respect		updates on the revision of its ESS when available
International Finance Corporation <sup>14</sup>	Recommendations	ESS		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	In progress	The entity has been requested to provide information on the efforts it is taking to address the remark. The GCF is waiting for a response from the entity on the expected time frame for providing the information
				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&S standards used by a number of international financial institutions. The AP encourages the	In progress	The entity has been requested to provide information on the efforts it is taking to address the remark. The GCF is waiting for a response from the entity on the expected time frame for providing the information

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				applicant to further pursue this initiative among other multilateral financial institutions and inform the GCF on the progress in this process		
International Fund for Agricultural Development <sup>15</sup>	Recommendations	Fiduciary		In the course of the accreditation review assessment, the AP noted that the applicant is in the process of finalizing the first major revision to its financial management administration manual – a comprehensive financial management framework document released in 2012. The updated manual contains fundamental provisions regarding the types of financing provided by the applicant, the project cycle overview, financial management at project design and approval, the financing agreement and its negotiation process, project supervision, the withdrawal and	In progress	The AP is reviewing the information submitted by the entity on its financial management administration manual and a mid-term review report on an adaptation programme for smallholder agriculture

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				<p>disbursement process, audit and financial reporting requirements, conditions on loan repayments and debt services, financial management and disbursement of grants. However, the new manual is pending the approval of the applicant's executive board. The financial management administration manual is a document for staff, consultants and cooperating institutions, where applicable. Updates are issued under the authority of the director, Financial Management Services Division, and the updated manual will be issued by the end of 2016. The applicant may wish to consider: (a) Informing and submitting to the GCF the updated financial management administration manual</p>		

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				approved and released to staff and consultants by the director of the Financial Management Services Division		
National Bank for Agriculture and Rural Development (NABARD) <sup>16</sup>	Conditions	ESS	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Approve the ESS policy, and communicate the policy and procedures within the organization as well as to its executing entities	Fulfilled and closed	<p>The AP has reviewed the information submitted by the entity in response to requests for clarification made by the AP on its ESS policy. This clarification was received in writing and the condition is closed and it is in line with the category for which the applicant has requested accreditation. The applicant confirmed that the policy has been approved and is being communicated to the staff within the organization as well as to executing entities</p> <p>NABARD participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015</p>
		Gender	Conditions prior to the first disbursement by the GCF for an approved	Develop a gender policy in line with the gender policy of the GCF to be applied in	Fulfilled and closed	The AP has reviewed the information submitted by the entity in response to requests for additional information made

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			project/programme to be undertaken by the entity	projects and programmes funded by the GCF		by the AP on its gender policy and the condition has been closed  NABARD participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) <sup>17</sup>	Conditions	Fiduciary	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Related to the investigation function: To define and implement a process for periodically reporting case trends. In order to enhance accountability and transparency, case trend reports and other information are made available to senior business management and relevant business functions, to the extent possible	Fulfilled and closed	PROFONANPE submitted its investigation procedures from its operations manual. In addition, the minutes of a meeting of its board, where investigations of cases of alleged fraud/corruption and other forms of misbehaviour were considered, were provided. As reported in document GCF/B.11/03, compliance with the investigation procedures was proven by the minutes of the meeting of the board of PROFONANPE, demonstrating that case trends have been reported
	Recommendations	ESS		It is recommended that the applicant seek to deepen its knowledge of the interim ESS of the GCF, while further implementing its new ESS policy in risk level	In progress	As reported in document GCF/B.11/03, the entity plans to apply for an upgrade in its accreditation type from risk level Category C/I-3 to Category B/I-2  PROFONANPE participated, with assistance from the Readiness and

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
				Category B/I-2. It is additionally recommended that the applicant strengthen its E&S reporting function		Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
Secretariat of the Pacific Regional Environment Programme (SPREP) <sup>18</sup>	Recommendations	ESS		It is recommended that the applicant seek to deepen its knowledge of the interim ESS of the GCF, while further developing its ESMS in order to support a potential future application for accreditation against medium E&S risk level Category B/I-2	In progress	As reported in document GCF/B.11/03, the entity informed the Secretariat that it plans to pursue an upgrade of its accreditation type from E&S risk level Category C/I-3 to Category B/I-2 as a matter of priority. The timing of this is largely dependent on the time it takes to acquire a sufficient track record and prepare documentation on the relevant processes and procedures to satisfy the accreditation requirements of the GCF  SPREP participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
		Fiduciary		Relating to grant award and/or funding allocation mechanisms: It is recommended that the applicant continue with its	In progress	As reported in document GCF/B.11/03, the entity informed the Secretariat that it is in the process of developing a new project management framework, and that this will provide an opportunity for SPREP

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
				plans to formalize, institutionalize and implement its grant management guidelines in order to support a potential future application for accreditation against the specialized fiduciary standard for grant award and/or funding allocation mechanisms		to incorporate a formalized grant management procedure into its operations manuals. Further information will be provided by the entity when the framework is finalized, with respect to a potential application for an upgrade
United Nations Environment Programme (UNEP) <sup>19</sup>	Conditions Recommendations	ESS	Condition prior to the first disbursement by the GCF for an approved project/programme that bears risks contained in performance standard 4	Adopt specific policies and procedures to address performance standard 4 of the ESS of the GCF in order to undertake a project/programme that bears risks contained in performance standard 4	Fulfilled and closed	As reported in document GCF/B.11/03, UNEP confirmed that the United Nations Environment Programme Environmental, Social and Economic Review Note (ESERN) provided previously is the institutional safeguard screening tool. The document contains a section on performance standard 4 (community health, safety and security) to allow for the screening of projects financed by the GCF. UNEP also expressed its commitment to conducting complete due diligence covering all of the safeguard requirements with regard to projects funded by the GCF. In addition to the ESERN screening tool, the entity has presented the Global Monitoring Plan ESERN report providing evidence of implementation of the tool for

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
						the UNEP Global Mercury Partnership and Mercury Programme
		ESS		The AP recommends that the applicant finalize the implementation of its stakeholder response mechanism and make the contact information for submitting and registering a complaint publicly available on its website	Fulfilled	As reported in document GCF/B.11/03, the entity finalized its stakeholder response mechanism procedure and made it publicly available on its website. The procedure contains the contact information for submitting and registering a complaint
World Meteorological Organization <sup>20</sup>	Conditions	ESS	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Adopt the new project management framework, which includes the identification, mitigation, management and monitoring of E&S risks and impacts	Fulfilled and closed	The entity provided its project management framework which includes the identification, mitigation, management and monitoring of E&S risks and impacts. The framework was approved by the entity's board in February 2016

<sup>1</sup> Annex VII to decision B.09/07 (annex VII to document GCF/B.09/23).

<sup>2</sup> ESS = interim environmental and social safeguards of the GCF.

<sup>3</sup> ESMS = environmental and social management system.

<sup>4</sup> E&S = environmental and social.

<sup>5</sup> Annex XIII to decision B.10/06.

<sup>6</sup> Annex XV to decision B.10/06.

<sup>7</sup> Annex XI to decision B.12/30.

<sup>8</sup> Annex IV to decision B.09/07.

<sup>9</sup> Annex XVI to decision B.10/06.

<sup>10</sup> Annex XI to decision B.10/06.

<sup>11</sup> Annex XIV to decision B.12/30.

<sup>12</sup> Annex XVIII to decision B.12/30.

- <sup>13</sup> Annex XX to decision B.10/06.  
<sup>14</sup> Annex XIX to decision B.12/30.  
<sup>15</sup> Annex XII to decision B.14/11.  
<sup>16</sup> Annex X to decision B.10/06.  
<sup>17</sup> Annex V to decision B.09/07.  
<sup>18</sup> Annex VI to decision B.09/07.  
<sup>19</sup> Annex XIX to decision B.10/06.  
<sup>20</sup> Annex XXIII to decision B.12/30.

**Table 6: Status of accredited entities addressing accreditation conditions (as at 30 November 2016)**

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
African Development Bank <sup>1</sup>	Conditions	Fiduciary	Conditions 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	In progress	The entity requested that the AP conduct a site visit to its headquarters in order to gain access to the confidential information to address the condition. This visit is pending confirmation from the entity
			Conditions to be met for an approved project/programme that has an equity structure to be invested in by the GCF to be	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	In progress	The entity requested that the AP conduct a site visit to its headquarters in order to gain access to the confidential information to address the condition. This visit is pending confirmation from the entity

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
			undertaken by the applicant	that may arise from such reports. After the first three years, the GCF will review the need to extend this condition		
Banque Ouest Africaine de Développement (West African Development Bank) <sup>2</sup>	Conditions	Fiduciary, ESS <sup>3</sup> and gender	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	1. Provide a plan for improving the monitoring of compliance with the applicant's fiduciary, E&S <sup>4</sup> and gender-related standards, as well as any conditions in general that it applies to its financing, including for projects financed by the GCF;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
		Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	2. Develop a process for publicly disclosing information on beneficiaries and the results of projects and programmes that are financed by the GCF; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
		Fiduciary	Conditions prior to submitting a request for GCF	3. Test and prove by way of having approved and successfully implemented	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			financing of a medium-sized grant award programme	for a minimum period of one year a small-sized grant award programme		for a response from the entity on the expected time frame for providing the information
	Recommendations	ESS		The applicant has a wide-ranging ESMS, <sup>5</sup> which is consistent with the requirements of performance standard 1 of the GCF interim ESS. Since the applicant's ESMS has been updated over time, it is recommended that the applicant now consolidate its existing guidelines in order to more easily screen and assess projects against GCF performance standards 2 to 8 and to ensure that: (a) All departments and all clients have the full package of the most up-to-date ESMS elements; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
				(b) All departments and clients have been sufficiently trained to use	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the

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				the most up-to-date ESMS elements		expected time frame for providing the information
				Although the applicant has sound policies and practices in relation to E&S, gender and climate matters, it will need more staff in order to significantly increase the scale and scope of its activities as it has planned. In particular, the AP judged that more careful project design, enhanced implementation budgets and resources, and strengthened monitoring and supervision can help to overcome the existing capacity constraints. It is therefore recommended that the applicant addresses the staff shortcomings identified in paragraphs 19, 32 and 40 in annex V to decision B.14/10	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

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Caribbean Community Climate Change Center (CCCCC) <sup>6</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Relating to the internal audit function and 'know-your-customer' procedure: (i) Adopt, through its audit committee, the audit charter as its frame of reference;	Fulfilled and closed	The entity's audit charter and a letter from the chairman of the entity's board of governors confirming that the audit charter was approved by the entity's board were provided
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Submit its internal audit plan for the next financial year, 2016; and	In progress	The entity provided its 2016 internal audit plan for the financial year, 2016. The entity was requested by the AP to include a review of its purchases for project(s) disbursement as part of the 2016 internal audit plan and confirm the timeline for the completion of the audit
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iv) Establish a 'know-your-customer' procedure as part of its anti-money laundering and countering the financing of terrorism procedure	Fulfilled and closed	As reported in document GCF/B.12/07, the entity established an anti-money laundering and anti-terrorist financing procedure containing a 'know-your-customer' procedure. The procedure outlines the requirements for applicants of the entity's financial resources and the procedure for the verification of its partners' financial background

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			Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016	Relating to the internal audit function: Submit internal audit reports annually for three consecutive financial years, starting with the financial year 2016	In progress	The entity provided its internal audit plan for the financial year, 2016 and was requested by the AP to include a review of its "Purchases for Project/Project Disbursement" which includes a "Review and testing of controls surrounding the purchases for projects and the disbursement of project funds to ensure compliance with the grant procurement and spending guidelines" as part of the 2016 audit plan. Furthermore the entity was requested to submit a timeline for delivering the internal audit plan
		Gender	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Adopt a gender policy consistent with the gender policy of the GCF to be applied in projects and programmes funded by the GCF	Fulfilled and closed	As reported in document GCF/B.12/07, the entity submitted a gender policy and action plan, which has been assessed by the AP to be consistent with the Gender policy of the GCF  CCCCC participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS <sup>4</sup> of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
	Recommendations	Fiduciary		Relating to grant awarding: Institutionalize the grant award procedure	Fulfilled	As reported in document GCF/B.12/07, the grant award procedure regarding one of the entity's projects was made

<b>Entity</b>	<b>Accreditation condition, recommendation or remark</b>	<b>Standard</b>	<b>Time frame</b>	<b>Description of accreditation conditions, recommendations and remarks</b>	<b>Status</b>	<b>Remarks</b>
				developed with one of its partner institutions		available on its website. The procedure contains the guidelines for grant applicants and documents related to the first call for grant proposals
Caribbean Development Bank <sup>7</sup>	Conditions	Fiduciary	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	Demonstrate that the permanent external communications mechanism is fully functioning, in particular by identifying the staff assigned to manage, document and respond to communications, questions or complaints on the environmental and social performance of projects	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
		ESS	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	Establish an appropriate system for providing public access to information on the periodic progress of individual projects/programmes, including budget utilization, in relation to grant funding	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

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Crédit Agricole Corporate and Investment Bank <sup>8</sup>	Conditions	Fiduciary	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	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	In progress	The AP had a virtual meeting with the entity in order to discuss the condition and action required from the entity to address it. The entity indicated that it would provide relevant documentation for review by the AP before the end of 2016
		ESS	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	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	In progress	The AP had a virtual meeting with the entity in order to discuss the condition and action required from the entity to address it. The entity indicated that it would provide relevant documentation for review by the AP before the end of 2016
		Gender	Condition prior to the first disbursement by the GCF for an	3. Develop a gender policy or approach in line with the gender policy of the GCF and obtain gender	In progress	The AP had a virtual meeting with the entity in order to discuss the condition and action required from the entity to address it. The entity indicated that it

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			approved project/programme to be undertaken by the entity	competencies to implement the policy/approach on projects and programmes funded by the GCF		would provide relevant documentation for review by the AP before the end of 2016.
Deutsche Bank AktienGesellschaft AG (DB) <sup>9</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Relating to internal controls: Provide the GCF, 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; and	Fulfilled and closed	As reported in document GCF/B.11/03, Deutsche Bank AG submitted a comfort letter after the tenth meeting of the Board. In its review of the letter, the AP noted the statement: "In 2013 the management board of Deutsche Bank decided to initiate a 'Three Lines of Defense' program as a response to lessons learned from past control failures and to strengthen the bank's risk management capabilities and compliance culture". The annual report should contain specific information regarding the progress made in the implementation of the 'Three Lines of Defense' programme, as well as information regarding the specific improvements attained in internal controls, risk management capabilities and compliance culture
			Not required to be met prior to the first disbursement	Provide the GCF, through the Secretariat, with its annual reports that	In progress	The entity provided its annual reports for the financial year 2015, which contain the required information on regulatory

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			by the GCF for an approved project/programme to be undertaken by the entity	disclose information on regulatory compliance		compliance. For the year 2015, the entity has complied with this condition
		Gender	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Develop a gender policy consistent with the gender policy of the GCF to be applied in projects and programmes funded by the GCF	Fulfilled and closed	The revised gender policy provided by the entity complies with the requirements regarding the development of a gender policy that is consistent with the Gender policy of the GCF  DB was invited to attend, due to having a related accreditation condition, and participated in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH <sup>10</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	Submit operational guidelines or an operational manual that describe(s) the fiduciary due diligence process the applicant would apply to GCF financing concerning transparency and accountability, with specific reference to standards on 'know-your-	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

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				customer' and anti-money laundering		
	Recommendations	Fiduciary		The applicant's traditional technical cooperation role under the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (the Federal Ministry for Economic Cooperation and Development) has been noted as described on the ministry's website. However, based on its track record with grant intermediation, the applicant now plans to mainstream a financial intermediary function, as reflected in its GCF application for accreditation. In the view of the AP, this recent broadening in the scope of the applicant's activities could give rise to potential conflicts of interest between the applicant as a	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

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				<p>provider of technical cooperation on the one hand, and, on the other hand, as the supplier of GCF grants for a technical cooperation programme managed by an intermediary. In such cases, if the potential for conflict of interest is confirmed, the services should be procured following rules in line with those of the GCF fiduciary standards regarding procurement</p>		
<p>Environmental Investment Fund of Namibia (EIF)<sup>11</sup></p>	<p>Conditions</p>	<p>Fiduciary</p>	<p>Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity</p>	<p>(i) Undertake an initial internal audit of its operations. The items to be addressed in the internal audit should include:</p> <ol style="list-style-type: none"> <li>1. A sample review of three grant awards, including contractual arrangements for risk, assessed against its procedures;</li> </ol>	<p>In progress</p>	<p>The initial internal audit of the entity's operations was completed as stipulated by the condition. The AP has reviewed the internal audit report and notes that the scope of the audit covered the period from 1 January to 31 August 2015. During this time there were no tenders issued by the entity for grant awards and thus it did not assess three grant awards as required in the condition. The AP and the Secretariat are continuing discussions with the entity on the internal audit report findings</p>

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			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	2. Confirmation that its procurement practice complies with national law; and	In progress	The entity has not yet provided its revised procurement policy and procedures
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	3. A review of the new information technology control framework;	In progress	The audit has been completed and the review of the new information system, in particular its implementation for the management of loans, grants and disbursements has identified items to be addressed. The AP and the Secretariat are continuing discussions with the entity on the internal audit report findings
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(ii) Submit the internal audit plan for the next financial year, 2016;	Fulfilled and closed	The entity provided its internal audit plan for the financial year 2016

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			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iii) Submit the revised procurement policy and procedures; and	In progress	The entity has yet to submit its revised procurement policy and procedures. The AP and the Secretariat are continuing discussions with the entity on the draft documents
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iv) Publish information on its grant award mechanism and process on its website	In progress	The entity's progress in publishing information on its grant award mechanism and process on its website is acknowledged. The entity has been requested by the AP to provide additional information relating to the publication of relevant information on its website once it is available. The AP noted that the entity's website contains a number of unpopulated links to information
			Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016	Submit internal audit reports annually for three consecutive financial years, starting with the financial year 2016	In progress	The internal audit report for the financial year 2016 was provided. This condition still remains for the following two years and, as per the 2017 audit plan, must include progress on addressing the gaps flowing from audits conducted on the previous years

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	Recommendations	ESS		It is recommended that the applicant seek to deepen its knowledge of the interim ESS of the GCF, while further developing its E&S management system in order to support a potential future upgrade of its accreditation against medium E&S risk level Category B/1-2	In progress	<p>By submitting several ESS summary documents, the entity shows that it has obtained some experience in project categorization and assessing projects against performance standards. The AP emphasized that the entity should be cautious when assigning projects to Category C. Projects that require construction of facilities, movement of earth, and the potential handling of waste product containing metals and/or chemicals do not generally classify as Category C. The AP requested the entity to seek further guidance from experts in the field in order to ensure the proper categorization of funding proposals.</p> <p>EIF participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015</p>
		Fiduciary		Relating to grant award and/or funding allocation mechanisms: It is recommended that the applicant continue to develop its grant	In progress	The entity submitted its financial management manual. The entity was requested by the AP to provide additional information once it is available, following the application of its grant mechanism on an ongoing basis

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				mechanism, including the compilation of a process and procedure manual that incorporates all the mechanism's elements		
		Gender		It is recommended that the applicant include the principles of its new gender charter in its internal procedures manuals	Fulfilled	The operations manual contains requirements for gender assessment for grant and loan applications, and provides guidance for preparation of a gender assessment report  EIF participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
HSBC Holdings plc and its subsidiaries <sup>12</sup>	Conditions	Fiduciary	Condition to be met on an annual basis	Provide the Fund, through the Secretariat, with its annual reports that disclose information on regulatory compliance	In progress	The entity has been requested to provide the 2016 annual report when it is available in April 2017
			Conditions from decision B.12/30, paragraphs (e - g), contained in document	(e) Notes that the Accreditation Panel has recommended the accreditation of applicant 26 and further notes that	In progress	No action from the AP or the entity is required

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			GCF/B.12/32. The Accreditation Panel is to report at the fourteenth and sixteenth meetings of the Board whether the results of its reviews of these conditions would alter its recommendation to accredit the applicant.	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);		
			Conditions from decision B.12/30, paragraphs (e – g), contained in document GCF/B.12/32. The Accreditation Panel is to report at the fourteenth and sixteenth meetings of the Board whether the results of its reviews of these conditions would alter its recommendation to	(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	In progress	The AP, for its assessment of the entity's progress in the implementation of its Global Standards Programme, reviewed i) answers and supporting documentation provided by the entity to questions raised by the AP, ii) relevant news articles from the web pages of Reuters and Bloomberg and iii) a publicly-available court document filed by the United States of America Department of Justice. Details of the assessment are contained in document GCF/B.14/Inf.07

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			accredit the applicant.	recommendation to accredit the applicant;		
			Conditions from decision B.12/30, paragraphs (e – g), contained in document GCF/B.12/32. The Accreditation Panel is to report at the fourteenth and sixteenth meetings of the Board whether the results of its reviews of these conditions 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;	In progress	No action from the AP or the entity is required
			Conditions prior to the first disbursement by the GCF for an approved project/programme	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	Fulfilled and closed	The comfort letter executed by HSBC conforms to the accreditation requirements and the condition to present a comfort letter is fulfilled and closed

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			to be undertaken by the entity	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;		
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	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	In progress	The entity informed the GCF that it intends to align its process with GCF requirements. During the process of establishing the method of disclosing the relevant information, the entity will follow the mechanism adopted with export credit agencies' financings and will advise executing entities accessing GCF funding that the project benefits and GCF funding will be publicly divulged
		Gender	Conditions prior to the first disbursement by the GCF for an approved project/programme	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	In progress	The entity informed the GCF that it is consulting internally on the matter and an update with relevant information will thereafter be made available

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			to be undertaken by the entity	projects and programmes funded by the GCF		
International Union for Conservation of Nature <sup>13</sup>	Conditions	Fiduciary	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	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	In progress	The entity submitted the terms of reference for the production of grant operations procedures manual, detailing the milestones and time frames for addressing the condition. The manual is expected to be developed in 2016 and will be provided by the entity thereafter
Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia <sup>14</sup>	Conditions	ESS	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	1. Finalize the recruitment of an E&S expert to help to oversee the project management cycle under the applicant's facility; and	In progress	The entity indicated that an E&S expert had been recruited at the beginning of 2016 and that relevant documentary evidence will be made available for review by the AP
			Conditions prior to the first disbursement by the GCF for an approved	2. Develop an external communications mechanism, which provides a system to receive, document and	In progress	The entity indicated that an upgraded external communication registry to receive documents and respond to E&S related queries and complaints was finalized and is available on the entity's

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			project/programme to be undertaken by the entity	respond to questions or complaints from the general public		website. Relevant documentary evidence will be made available for review by the AP
		Fiduciary	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	1. Report progress in respect of all projects and programmes being undertaken. The report should include: a. Progress of activities vis-à-vis a plan with specific indicators;	In progress	The entity indicated that an external firm had been recruited to address the conditions related to annual audit reports and progress in respect of projects and programmes being undertaken by the entity. Relevant documentation will be made available for review by the AP
			Conditions to be met on an annual basis for the three consecutive years, starting with the financial year 2016. All information	b. Budget variances and analysis;	In progress	No comments at this time

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			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			
			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	c. Major risks and issues, if any, that may or are impacting the execution of a project/programme; and	In progress	No comments at this time

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			<p>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</p>	<p>d. Brief qualitative write-up, including the likelihood of the project achieving its planned objectives (results, budget and schedule)</p>	In progress	No comments at this time
			<p>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</p>	<p>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;</p>	In progress	No comments at this time

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			report consistent with the requirements of the GCF monitoring and accountability framework for accredited entities			
			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	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.	In progress	No comments at this time
	Recommendations	Fiduciary		The AP notes the applicant's keen interest in developing and	In progress	The entity indicated that it plans to request readiness and preparatory support from the GCF in order to engage

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				<p>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</p>		<p>external expertise to conduct an independent evaluation of ongoing projects in an effort to address the remarks from the AP that will allow an upgrade of the entity's accreditation type to medium for the size of projects. Relevant documentary evidence of the results of the independent evaluation will be made available for review by the AP</p>

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				<p>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: a. Project design and appraisal;</p>		
				<p>b. Project planning and implementation;</p>	In progress	See comments above

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				c. Project administration and execution;	In progress	See comments above
				d. Project M&E; and	In progress	See comments above
				e. Associated corrective actions. 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) in annex XII to decision B., for a higher size category (e.g. medium or large) to the Board for its consideration and decision-making.	In progress	See comments above
	Conditions	ESS	Condition in respect of any	Use external support, including from co-	In progress	As reported in document GCF/B.11/03, the entity informed the Secretariat that it

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Ministry of Natural Resources of Rwanda (MINIRENA) <sup>15</sup>			project/programme funded by the GCF that invokes any of performance standards 2 to 8 until a mid-term review is undertaken for the purposes of determining the applicant's competency in the five-year accreditation period meeting the ESS of the GCF at the project level	financiers, acceptable to the GCF in order to help to prepare projects or programmes that invoke any of performance standards 2 to 8		<p>is making preparations to acquire external support to assist in the preparation of projects that invoke any of performance standards 2 to 8 in an effort to address the condition. The entity will keep the GCF informed of developments in this regard</p> <p>MINIRENA participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015</p>
		Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	Relating to the investigation function: (i) Publishing on its website the instructions and appropriate forms through which to log a complaint;	In progress	As reported in document GCF/B.11/03, MINIRENA informed the Secretariat that it is making preparations to address the accreditation condition relating to its investigation function. The entity will keep the GCF informed of developments in this regard
			Conditions prior to the first disbursement by	(ii) Preparing quarterly reports on case trends and maintaining a formal	In progress	No comments at this time

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			the GCF for an approved project/programme to be undertaken by the entity	record of all complaints received; and		
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	(iii) Submitting a report of the incidents recorded with its Office of the Ombudsman for investigation on a monthly basis	In progress	No comments at this time
	Recommendations	ESS		It is recommended that the applicant consider undertaking an equivalence assessment of the country's legal framework with respect to project-specific performance standards 2 to 8 of the GCF, which would apply to projects and programmes funded by the GCF	Fulfilled	The equivalence assessment was completed. The AP requested that the relevant findings be incorporated by the entity when developing GCF projects and programmes that invoke GCF performance standards 2 to 8. This experience will be used to assess the entity's competency in meeting the GCF interim ESS at the project level during the anticipated mid-term review in the five-year accreditation period  MINIRENA participated, with assistance from the Readiness and Preparatory Support Programme, in the interim ESS of

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
						the GCF and the gender training workshop for direct access entities held at GCF Headquarters in September 2015
National Environment Management Authority of Kenya <sup>16</sup>	Conditions	ESS	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the entity	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	In progress	The entity indicated that it is receiving technical assistance in the development of its projects in an effort to address the condition. Relevant documentation will be made available for review by the AP
	Recommendations	Gender		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	In progress	The entity indicated that its staff are receiving training on gender-related programming in an effort to address the condition. Relevant documentation will be made available for review by the AP
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden <sup>17</sup>	Conditions	ESS	Conditions prior to the first disbursement by the GCF for an approved project/programme	1. Adopt and demonstrate effective implementation of policies and practices on the disclosure of project E&S assessments, as well as a stakeholder	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			to be undertaken by the applicant	engagement strategy, in line with the GCF information disclosure policy and the GCF interim ESS (performance standard 1), respectively; and		
		Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	1. Develop and demonstrate effective implementation of policies and procedures for providing information on results achieved and lessons learned, and their public disclosure, on a project-by-project basis;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	2. Develop and demonstrate effective implementation of a policy on the disclosure of the evaluation reports on a project-by-project basis; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
		Gender	Conditions prior to the first	1. Adopt a gender policy in line with the GCF gender	In progress	The entity has been requested to provide information on the efforts it is taking to

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			disbursement by the GCF for an approved project/programme to be undertaken by the applicant	policy, and demonstrate progress in developing appropriate competencies to implement, and experience in applying, the policy		address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
South African National Biodiversity Institute (SANBI) <sup>18</sup>	Conditions	Fiduciary	Condition prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	Submit at least one periodic monitoring report for each of the projects “Building resilience in the Greater uMngeni Catchment” and “Taking adaptation to the ground: a small grants facility for enabling local level responses to climate change in South Africa” developed by the applicant and approved by the Adaptation Fund in order to provide evidence of the track record of SANBI in monitoring projects under its grant award mechanism	In progress	The entity informed the GCF that it is preparing annual monitoring reports for the two Adaptation Fund projects that it is implementing. The entity has indicated that relevant documentation will be made available for review by the AP

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
Unidad Para el Cambio Rural (Unit for Rural Change) of Argentina <sup>19</sup>	Conditions	Fiduciary	Condition prior to the approval of the first funding proposal for a grant award programme submitted by the applicant to the GCF	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	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
XacBank LLC <sup>20</sup>	Conditions	Fiduciary	Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	1. Provide evidence of the effective application of procedures for the investigation of fraud, corruption and other forms of malpractice;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	2. Provide evidence of the effective implementation of the procedures for: (a) The preparation of project implementation plans;	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

Entity	Accreditation condition, recommendation or remark	Standard	Time frame	Description of accreditation conditions, recommendations and remarks	Status	Remarks
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	(b) Project closure; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	(c). The independent evaluation of project results; and	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information
			Conditions prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant	3. Provide evidence of the effective implementation of the applicant's information disclosure policy	In progress	The entity has been requested to provide information on the efforts it is taking to address the condition. The GCF is waiting for a response from the entity on the expected time frame for providing the information

<sup>1</sup> Annex XVII to decision B.12/30.

<sup>2</sup> Annex V to decision B.14/10.

<sup>3</sup> ESS = interim environmental and social safeguards of the GCF.

<sup>4</sup> E&S = environmental and social.

<sup>5</sup> ESMS = environmental and social management system.

- <sup>6</sup> Annex XII to decision B.10/06.
- <sup>7</sup> Annex VI to decision B.14/10.
- <sup>8</sup> Annex XV to decision B.12/30.
- <sup>9</sup> Annex XIV to decision B.10/06.
- <sup>10</sup> Annex VIII to decision B.14/10
- <sup>11</sup> Annex VIII to decision B.10/06.
- <sup>12</sup> Annex XVI to decision B.12/30.
- <sup>13</sup> Annex XXI to decision B.12/30.
- <sup>14</sup> Annex XII to decision B.12/30.
- <sup>15</sup> Annex IX to decision B.10/06.
- <sup>16</sup> Annex XIII to decision B.12/30.
- <sup>17</sup> Annex XIII to decision B.14/11.
- <sup>18</sup> Annex X to decision B.14/11.
- <sup>19</sup> Annex XX to decision B.12/30.
- <sup>20</sup> Annex VII to decision B.14/10.

## Annex VI: Accreditation assessment of Applicant 043 (APL043)

### I. Introduction

1. Applicant 043 (APL043), the Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China, is a national entity with a mandate of improving economic cooperation in the area of environmental protection through management of financial assistance from international financial organizations. The applicant mobilizes financial resources from international and bilateral sources. Since its establishment, the applicant has implemented projects that protect the environment and contribute to climate change mitigation and adaptation in the agriculture, forestry, transport, energy and water resources sectors.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 12 January 2016. The Stage I institutional assessment and completeness check was completed on 5 September 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant 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 from China;
- (b) **Track:** fast-track under the Global Environment Facility (GEF);
- (c) **Maximum 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) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF project agency. Its application has been assessed by the Secretariat during Stage I in

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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 USD 10 million and up to and including USD 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-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”.

accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as a part of the application. FECO was established in 1989 and has a State Administration of Business Entity registration as an institutional legal person.

## 2.2 Institutional presence and relevant networks

5. For more than 20 years, since its establishment, the applicant has been promoting partnerships between China and international organizations and bilateral agencies in pursuit of its mandate of ensuring protection of the national environment in China. It coordinates and manages multilateral and bilateral funds for the improvement of China's regulatory framework and management regimes of relevant industries through the implementation of multilateral environmental agreements to which its country is a signatory.

6. The applicant seeks to further the objectives of the GCF by facilitating access to climate finance for its country by supporting it in the implementation of environmentally conscious projects and programmes in the agriculture, energy efficiency, health, scientific research, and water resources management sectors. In particular, the applicant seeks to improve its policy framework in emission reductions and energy efficiency in order to facilitate the formulation and development of local-level policies and plans that are consistent with national strategies and guidelines. Furthermore, the applicant also seeks to enhance country ownership by ensuring that its projects and programmes are consistent with its national strategies and priorities.

## 2.3 Track record

7. The applicant mobilizes financial resources for its climate change mitigation and adaptation projects by leveraging its cooperation with international financial organizations and bilateral agencies. The applicant intends to continue cooperating with these partners in order to assist its country in achieving low-emission, climate-resilient development pathways by facilitating the development and improvement of policies, regulations, standards and technologies that improve the quality of the environment.

8. Climate resilience is incorporated in the projects that the applicant undertakes in all the sectors in which it operates, including biodiversity, manufacturing, forestry, energy, transport and water resources. To date, the applicant has a portfolio of projects amounting to about USD 1.8 billion in various sectors. The applicant's track record in financing sustainable development and climate change related projects in the energy, water, transport and health sectors is evidenced by the following projects, which fall within the GCF "small" size category:

- (a) USD 49 million (grant) for the "Nature conservation and flood control in the Yangtze River Basin" project in China;

- (b) USD 49 million (grant) for the “Promoting energy efficient room air conditioners” project in collaboration with the GEF in China; and
- (c) USD 50 million (grant) for the “HCFC phase-out management plan in extruded polystyrene foam sector in China” project in China.

### III. Stage II accreditation review assessment

9. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF project agency. Its application has been assessed against the standards of the GCF by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30 and B.14/09.
10. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

11. As per paragraph 9 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

12. As per paragraph 9 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.

13. Regarding item 4.2.5, the applicant has a comprehensive AML/CFT policy. In order to comply with the policy, the applicant cooperates with financial institutions and government supervision departments which are in charge of AML/CFT to prevent money-laundering and terrorist financing. The applicant also conducts appropriate ‘know-your-customer’ due diligence on all clients with whom it has business relationships to ensure that all of the disbursements are in line with the business contracts or project agreements, or to ensure that the transactions being conducted are consistent with the applicant’s knowledge of the customers, their business and risk profile. Furthermore, the applicant contacts and cooperates with its deposit banks to analyse the associated risks and assure transaction security when there is a suspicion of money-laundering or terrorist financing, or doubt about the veracity or adequacy of previously obtained customer identification data. Additionally, the applicant provides AML/CFT training to its employees as necessary.

14. The applicant has well-established mechanisms to trace and monitor electronic transfers of funds. The applicant traces and monitors electronic transfers of funds with the support of its deposit banks which are authorized to undertake the electronic funds transfer. In practice, the applicant requests the banks to provide a bank statement of account at the end of every month, in which all the inflows and outflows of the relative month (including the electronic transfer of funds) are recorded. With the bank statement, the applicant traces and

checks electronic transfers of funds, and prepares a bank reconciliation statement to ensure that funds are transferred to the bona fide recipients.

15. In relation to the GCF General Principles on Prohibited Practices to be observed by accredited entities, the applicant provided adequate information on how it would meet the principles once accredited. The applicant provided its code of ethics, which contains information on many of the prohibited practices defined in the GCF General Principles on Prohibited Practices, including conflict of interest, AML/CFT and anti-fraud/corruption policies.

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

16. As per paragraph 9 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

### 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding**

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

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

19. The applicant has provided its environmental and social safeguard framework (ESSF) which constitutes its environmental and social (E&S) policy. The ESSF includes a comprehensive statement of the E&S objectives and principles guiding the applicant's institution. The applicant's ESSF states the E&S standards which the institution adheres to, including laws related to national obligations under international law.

20. In April 2015, the applicant adopted a set of environmental and social safeguards (ESS) standards and related policies, which are aligned with the GEF policy on agency minimum standards on environmental and social safeguards.<sup>4</sup> The applicant confirmed that these policies and standards were reviewed by the GEF before the applicant was accredited as a GEF project agency in June 2015.

21. In December 2015, the applicant further developed, adopted and published its updated ESSF on its website, which reflects several additional ESS (resource efficiency and pollution prevention, community health, safety and security, involuntary resettlement, indigenous peoples, labour and working conditions), including related implementation procedures. The applicant indicated that it would apply its ESSF to all GCF projects that it will be implementing. The ESSF identifies the units within the applicant's institution responsible for ensuring conformance with the policy. The ESSF is communicated to all the applicant's staff as well as to the general public. The ESSF substantively incorporates the GCF interim ESS.

### 3.2.2 **Section 6.2: Identification of risks and impacts**

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<sup>4</sup> The policy is available at <<http://www.thegef.org/council-meeting-documents/gef-policy-agency-minimum-standards-environmental-and-social-safeguards>>.

22. The applicant's ESSF describes the E&S risks and impacts identification and assessment procedure which includes the E&S risk categorization framework and the related responsibilities for implementing the procedure. The ESS focal point in the applicant's institution systematically identifies and documents potential E&S risks and impacts of proposed projects in the E&S impact screening form. The applicant provided several examples of projects illustrating how the E&S risks and impacts are identified and assessed. The applicant indicated that this process would be applied to all GCF-financed activities.

### 3.2.3 Section 6.3: Management programme

23. The applicant's ESSF describes the institutional process for managing mitigation measures and actions stemming from E&S risk identification. The applicant has provided several examples of projects illustrating the implementation of its E&S management system. According to the ESSF, the executing agency is responsible for the preparation of appropriate E&S impact assessment (ESIA) documents to assess and manage E&S risks and impacts identified in the screening process. An E&S management plan (ESMP) is an essential element of the ESIA report, which includes the proposed mitigation measures, E&S monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Specific guidelines on ESMP preparation are included in the applicant's ESSF standard on ESIA. The applicant's ESS focal point, with the assistance of external experts if needed, evaluates the quality of the ESIA documents and its recommendations are submitted to its director general or the steering committee for approval.

### 3.2.4 Section 6.4: Organizational capacity and competency

24. The applicant has provided its organizational chart which indicates the reporting lines and authority to implement its ESS. The applicant has also provided a list of key in-house persons and their responsibility, as well as information on the area of competency of each person, including brief biographical data and similar data for the external consultants used by the applicant. The applicant has provided ESS-related sample work performed by its in-house and outsourced personnel. The applicant maintains a pool of external specialists at universities and research institutions in China to be called upon to perform specialized functions in the implementation of its ESS. In order to improve its own staff's capacities, the applicant has conducted a series of trainings on ESS for its staff.

### 3.2.5 Section 6.5: Monitoring and review

25. The applicant has provided a description of its monitoring and review programme as well as the metrics/indicators generated through monitoring and review during the past year. Both the applicant and its executing entities are responsible for ensuring that the actions specified in the ESMP are carried out and for reporting regularly on the project's compliance with those actions. The mid-term evaluation of a project assesses whether the E&S impacts are being vigilantly managed and monitored, and whether the various requirements of the ESMP are being complied with. Corrective measures are proposed as relevant. At the end of the project, the final evaluation includes a similar exercise. It will also assess long-term E&S impacts, including lessons learned, which are shared with the applicant's senior management as the basis for the continuous improvement of its ESS. The applicant has provided several sample

monitoring and evaluation reports of its projects in line with its monitoring and review programme. The E&S monitoring and evaluation functions of the applicant are consistent with the GCF interim ESS.

### 3.2.6 Section 6.6: External communications

26. The applicant has provided its policy on external communications which describes the requirements for public consultation and information disclosure. The policy indicates that for all projects implemented by the applicant, the ESIA and ESMP documents are to be submitted by the applicant's executing entities for public consultation and disclosure prior to project appraisal. However, the policy states that the duration of disclosure and consultations should be at least 10 days, and that both the applicant and the executing agency shall ensure that the disclosed information is in open status during the entire period of soliciting public opinions. Owing to its mandates and responsibilities, the applicant has not had any projects directly financed by itself until now. The applicant has indicated that it would be willing to apply the GCF information disclosure policy, which requires that the ESS documents for Category B/I-2 projects have to be publicly disclosed for a minimum of 30 days prior to their consideration for approval. The applicant has also provided information on the grievance mechanism to be put in place by its executing entities. However, the applicant has indicated that it has not received any E&S-related questions or complaints thus far from the public.

## 3.3 Gender

27. The applicant has provided its gender mainstreaming standards as well as information on its gender competency (e.g. demonstrated by the curriculum vitae and experience of the applicant's staff to address gender mainstreaming), which are in line with the requirements of the GCF gender policy. The applicant has provided sample projects which provide details on climate change projects with specific reference to women and men who have benefited. The applicant has also provided evidence to show that it has non-discriminatory practices in terms of men and women beneficiaries in its projects.

## IV. Conclusions and recommendation

### 4.1 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 and 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/I-2); 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 considerations in the context of climate change.

## 4.2 Recommendation on accreditation

29. The AP recommends, for consideration by the Board, applicant APL043 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>5</sup>);

(ii) **Fiduciary functions:**

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

(iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>6</sup>); and

(b) **Conditions:** none.

30. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 29 above, and agrees to the recommendation.

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<sup>5</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 USD 10 million for an individual project or an activity within a programme”.

<sup>6</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 VII: Accreditation assessment of Applicant 044 (APL044)

### I. Introduction

1. Applicant 044 (APL044), the Korea Development Bank (KDB), is a national entity that was founded with the purpose of supplying and managing major industrial capital to help develop the economy of the Republic of Korea. Since its establishment, the applicant has been providing financing for the development and promotion of industries, the expansion of social infrastructure development of countries, including that of the Republic of Korea, the stabilization of financial markets and the facilitation of sustainable growth. The applicant has placed climate change and socially responsible investment as policy issues that are addressed in its annual planning.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 28 July 2015. The Stage I institutional assessment and completeness check was completed on 10 February 2016 and was progressed to the Stage II (Step 1) accreditation review, which is concluded with the publication of this assessment. The applicant 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 from the Republic of Korea;
- (b) **Track:** normal track;
- (c) **Maximum 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) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per annex I to decision B.08/02 (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 USD 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. Stage I institutional assessment and completeness check

3. The applicant applied under the normal track accreditation process, and was assessed by the Secretariat during Stage I.

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as part of the application. The applicant was founded in 1954 by the Korea Development Bank Act as a government-owned bank.

### 2.2 Institutional presence and relevant networks

5. KDB has been taking the lead in promoting green finance in local financial industry in line with the policy of the Government of the Republic of Korea through a variety of financings to support environmental and climate protection. The applicant has evolved to become a player in the global financial market, particularly participating in financial transactions with multilateral financial institutions and multilateral development banks. Since 2006, the applicant has closed over 50 overseas project financing transactions, and in the last five years the applicant's project finance arm has set up offices in Singapore, New York and, more recently, London and Beijing.

6. As a member of the International Development Finance Club, KDB is reinforcing its partnership with other financial institutions to collaboratively address international development issues such as green and environment-friendly infrastructure development and climate finance.

7. The applicant seeks accreditation to the GCF in order to:

- (a) Scale up project financing for both climate change adaptation and mitigation towards sustainable development, promoting public and private partnerships in practice, based on these various experiences and its expertise of green project financing;
- (b) Offer its know-how and expertise on low-carbon and green-growth financing to promote green industries for developing countries, critical to planning pilot projects in a partnership with a partner country;
- (c) Build an open knowledge platform to share such knowledge on climate change mitigation and adaptation with partners and borrowers in developing countries who need technical and financial advice to combat climate change in an efficient and practical manner; and
- (d) Make a direct contribution to help developing countries to succeed in the paradigm shift towards low-emission and climate-resilient development pathways, based on its experience and know-how.

## 2.3 Track record

8. KDB funds various sectors such as plants, railways, roads, environment-friendly infrastructure, power generation and manufacturing, among others. As at the end of 2014, the applicant maintained a loan portfolio of USD 104.5 billion and payment guarantees of USD 10.5 billion in both the public and private sectors, with the goals of stabilizing the economic development of the Republic of Korea, providing sustainable policy-based finance, and becoming a global leading bank.
9. In the field of climate change regarding environmental technology and green industry and business, the mandate of KDB includes expanding and supplying new renewable energy businesses, and developing businesses for developing, disposing and managing water resources, green information technology utilizing and supplying businesses, green vehicles, green buildings and city infrastructure, among others.
10. Regarding climate and green finance, KDB continues to expand its business of green growth finance and creative economy finance; the KDB annual performance review includes an evaluation of the volume of funding it provides for green businesses. In particular, KDB provides support to the following four different categories of green financing:
  - (a) Funds for promoting green industries;
  - (b) Low-carbon project financing;
  - (c) The carbon emissions permit trading market; and
  - (d) Knowledge management and analysis of green industry markets, both in developing and developed countries.
11. Activities related to climate change financed by KDB include:
  - (a) USD 59 million of USD 329 million total project cost for the Community Energy System project;
  - (b) USD 50 million of USD 1.8 billion total project cost for freshwater development for enhancing livelihoods and providing health and well-being, and food and water security;
  - (c) USD 312 million for the Energy Usage Rationalization Funds for energy efficiency;
  - (d) USD 134 million for the Energy Service Company Loan Funds to promote energy generation and energy efficiency; and
  - (e) USD 96 million for the Environmental Policy Fund for institutional and regulatory systems.

## III. Stage II accreditation assessment

12. The applicant applied under the normal track accreditation process, and was assessed against the standards of the GCF by the Accreditation Panel (AP) during Stage II (Step 1).
13. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 3.1 Fiduciary standards

### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

14. The applicant has an established organizational structure and oversight bodies which are appropriate for its size and scope of operations. Its main internal oversight bodies are its board of directors, risk management committee and executive committee and, as a State-owned financial institution, it is subject to the oversight of the national audit board and is supervised by the national financial authorities.

15. 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 does not have an audit committee; however, the head of the internal audit department is named by the national financial regulator and reports regularly to the board of directors. Furthermore, the national audit and inspection board assesses, on an annual basis, the effectiveness of the applicant's internal audit function.

16. The applicant demonstrated that it has a well-established information and reporting system, including appropriate risk management information, which generates timely and accurate information required for managerial decisions and regulatory reporting.

17. The applicant's internal control structure is clearly documented and the following responsibilities are defined: the applicant's board of directors oversees the internal control framework and promotes the internal control environment required of financial entities; the president is responsible for the internal control policy; the internal audit department periodically reviews observance of the internal controls; and the compliance department is responsible for ensuring observance of the applicable laws and regulations.

18. The applicant's procurement activities are regulated by internal regulation and by the national regulations applicable to contracts to which the State is a party. Its 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. For procurement activities that are undertaken using competitive bidding, the terms and conditions of the public notice are published on the applicant's website or using the national electronic bidding system managed by the national procurement authorities.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

19. 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 complies with the ethical guidelines and requirements established in the national regulations for public sector entities.

20. The function of an ethics committee is undertaken by the applicant's board of directors, supported by the compliance and internal audit departments, which have the designated authority to ensure that all the actions undertaken by the applicant's employees while fulfilling their professional duties comply with the applicant's ethical standards defined in its internal code of ethics and the applicable national regulations.

21. The applicant's investigation function is performed by the compliance department and the internal audit department. The national regulations and the applicant's internal guidelines provide the framework for the applicant's investigation function. The framework for the investigation function is based on appropriate internal regulations, the guidelines of the national anti-corruption commission and the national banking regulations.
  22. The applicant has an anti-money laundering (AML) and countering the financing of terrorism (CFT) programme that is appropriate to the type of financial transactions it executes as a part of its regular operations. The applicant's AML/CFT policies and procedures are developed based on international guidelines such as those established by the Financial Action Task Force and in national regulations, including regular reporting to the financial intelligence unit of its country.
  23. In order to comply with local regulations regarding AML/CFT, the applicant has appropriate 'know-your-customer' due diligence processes and an automated system to monitor suspicious transactions, including wire transfer transactions. These automated systems include verifying international lists regarding specially designated individuals and sanctioned jurisdictions.
  24. The applicant provided evidence that demonstrates the adequacy of its AML/CFT reporting system. The applicant has implemented the processes and technology required to effectively monitor its transactions and generate the required cash transaction reports and suspicious transaction reports, as well as for monitoring its international wire transfer operations.
- 3.1.3 **Section 5.1: Specialized fiduciary standard for project management**
25. The applicant demonstrates an established track record and experience in project finance, with expertise in assessing project viability and monitoring project performance during the development and operational stages.
  26. For the assessment of projects, the applicant undertakes due diligence following established guidelines. The project assessment and approval guidelines include clearly defined tasks to be completed and the recording of information in the credit support systems.
  27. As a financial institution, the applicant frames its project assessment and management procedures within the credit approval process, which includes the appropriate financial, 'know-your-customer' and technical analysis.
  28. The following main activities are included in the applicant's loan approval system:
    - (a) Corporate credit assessment using the assessment system;
    - (b) Preparation of a report on credit investigation recorded in the application and loan agreement system; and
    - (c) Preparation of a financial requirements report recorded in the technology inspection system.
  29. As an output of the assessment, the applicant delivers a report to the appropriate departments for project approval.

30. The applicant's procedures to monitor projects ensure that appropriate oversight is exercised and that project risks are appropriately managed. Periodic reviews aimed at identifying resource inputs, the relevance of project activities and the achievement of project performance indicators are periodically undertaken. Responsibility for monitoring projects is assigned to the organizational unit which, currently, is the same as the project origination team.

31. The applicant's project management policies and procedures include at-risk project management tasks that allow for the identification of early warning signs and effective corrective actions.

32. The applicant has amended its current project finance guidelines and has developed additional guideline documents, in order to comply with the GCF specialized fiduciary standard for project management. The amendments include guidelines for independent project evaluation, procurement activities undertaken by sponsors in project execution and information disclosure, as follows:

- (a) The amended guidelines assign the evaluation responsibility to an independent organizational unit that will perform project evaluation based on relevance, effectiveness, sustainability, and environmental and social (E&S) impact. The independent unit will define the criteria for project selection and will undertake an evaluation at least once a year;
- (b) The amended project procurement guidelines establish the requirement that the project finance teams review the project sponsors' procurement practices and ensure that the appropriate competitive procurement practices are followed; and
- (c) In terms of information disclosure, in addition to the amendments to the project finance guidelines, the applicant issued guidelines for information disclosure contained in its recently issued public communications policy.

33. The amendments to the applicant's project finance guidelines became effective in September and October 2016 and will apply to GCF-funded projects only; therefore, the functional implementation of the above-mentioned guidelines will occur at the time of the first GCF-funded project.

34. Throughout the assessment process, the applicant has incorporated several enhancements to the above-mentioned guidelines, thus indicating its willingness to adapt to the requirements of the GCF standards.

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

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

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

36. The applicant has established policies and procedures for managing lending activities through financial intermediaries. The applicant's guidelines for evaluating financial intermediaries include performance indicators, and the applicant evaluates intermediaries on an annual basis.

37. The applicant provided evidence of its experience as arranger of and participant in credit facilities that include the involvement of international and regional multilateral development banks, as well as private commercial banks.
38. The applicant provided detailed information regarding the specific risk metrics it calculates to assess, monitor and evaluate its risk exposures. The availability of the appropriate information, the independence of the internal auditor and the supervision of the national financial regulators provide assurance of the adequacy of the applicant's risk management environment.
39. The applicant provided project examples that demonstrate its capacity to structure project finance facilities that include loans and guarantees as the investment instrument. Furthermore, the applicant provided information on the projects (loan syndications) in which it has acted as lead arranger. The evidence provided demonstrates that the applicant is active in financing projects in non-Organisation for Economic Co-operation and Development countries, projects in collaboration with multilateral development banks, and international commercial (private sector) projects with no limitations or specific provisions regarding the country of origin of the goods and services procured during project execution.
40. The applicant has also provided extensive evidence of its track record and has demonstrated that it has access to an array of potential funding sources, including equity from private investors. The following is noted regarding the assessment of the applicant's capacity to deploy equity as a source of capital:
- (a) The information provided by the applicant demonstrates its capacity to appropriately evaluate projects for which equity is required;
  - (b) The applicant has a track record in developing and managing private equity funds; and
  - (c) The applicant has developed the mechanisms required to raise equity funds in its local market.
41. Based on the applicant's track record and the equity funding sources it has developed, the AP recommends that, for projects that include equity funding, the applicant be required to disclose information regarding the equity exit strategy, including information regarding the intended purchasers of the equity participation upon the applicant's exit. This recommendation is contained as a condition of accreditation in section IV below.
42. Based on the information provided at this time, the AP recommends that the applicant be accredited to deploy equity in project proposals only in the form of direct equity investment in the proposed project, and that the applicant not be accredited to present proposals for equity funds or projects that are funded with equity components provided by third parties such as private equity funds or the applicant's subsidiaries. This recommendation is also contained as a condition of accreditation in section IV below.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

43. Prior to 2015, the applicant approached E&S risk management across a number of policies and procedures, including its credit policy, business investigation regulations and project finance guidelines, and had experience in identifying and managing varying levels of E&S risks and impacts in projects both in the Republic of Korea and internationally. To match the applicant's operations, which are expanding globally, the applicant adopted in June 2015 a new set of policies that demonstrates its commitment to applying international standards and practices. Among the policies adopted is an environmental and social management framework (ESMF) with an integrated and strategic approach to risk management, strengthening the applicant's previous approach. The ESMF establishes E&S standards aligned with the GCF interim environmental and social safeguards (ESS) and builds on the applicant's experience in implementing international E&S standards in its international projects.

44. Domestic operations are guided by the legislation of the Government of the Republic of Korea on environmental and infrastructure development; the Republic of Korea is considered by the Equator Principles as a 'designated country', one of the 32 countries deemed to have robust E&S governance, legislation systems and institutional capacity designed to protect the country's people and the natural environment.<sup>4</sup> The applicant's international operations follow the regulations of the host country, which are supplemented by international E&S standards using the Performance Standards of the International Finance Corporation, the Equator Principles and/or the World Bank safeguard policies and guidelines.

45. The applicant's new ESMF identifies the roles and responsibilities of different units of the organization in implementing the policy at various phases of the project cycle. The ESMF has been communicated in the organization through workshops and lectures.

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

46. The new ESMF describes a project screening and E&S risk and impacts categorization process and provides tools to assist in project screening, consistent with that of the GCF interim ESS. Project E&S risk identification and categorization is conducted by the applicant's project finance department, with technical support from specialists in the technology evaluation department. Although the ESMF is new, the applicant has presented evidence of a track record in applying international E&S standards when conducting E&S risk categorization for projects in various parts of the world where the applicant is the lead arranger. The applicant has also participated in many international projects led by large multilateral financial institutions, utilizing international E&S standards.

### 3.2.3 Section 6.3: Management programme

47. The applicant has recently issued E&S guidelines that further elaborate on the provisions in the ESMF, including updated guidelines for project finance and syndication. The new set of guidelines (effective as of September 2016, and further amended on 4 October 2016)

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<sup>4</sup> Equator Principles. 2011. "Designated countries". Available at <<http://www.equator-principles.com/index.php/ep3/designated-countries>>.

will be applied to the project financing side of the operations, with plans to expand them to the entire organization in the future. New guidelines have also been established that would apply specifically to GCF-funded projects, if accredited, and the guidelines ensure compliance with the GCF interim ESS.

48. The applicant has demonstrated a track record in applying international E&S standards up to Category A projects in various countries. For projects located in developing countries, the project documentation shows how the applicant ensures compliance with international E&S standards for items where local regulations are less stringent. The applicant has also provided evidence of leading E&S management for projects in a developed country with a strong environmental regulatory framework and enforcement. However, the applicant still needs to institutionalize the new guidelines throughout the project finance operations to ensure consistent application.

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

49. The applicant has provided an organizational chart that identifies key units that are assigned responsibilities related to the ESMF. To institutionalize the new ESMF, the applicant also provided a road map to strengthen its in-house E&S capacity and has shown progress in its execution. It has recently set up an E&S policy team under its strategy and planning division – this group is small, with recruitment of a dedicated E&S specialist recently finalized. The policy team will be responsible for overseeing the sustainability performance in the organization and building capacity regarding E&S and gender.

50. Furthermore, the applicant has assigned competent staff for E&S tasks in its project finance centre, who will take the lead in applying the new E&S framework and guidelines to project financing. The applicant has provided information on staff experience with E&S management of international projects, where international E&S standards are applied. These staff are located in the applicant's headquarters in the Republic of Korea and offices in New York, Singapore and London.

51. The applicant has conducted workshops to improve awareness among executives and senior managers of the new E&S standards, and has required its E&S staff to participate in safeguards training courses provided by international organizations. However, the applicant has yet to develop and implement specific E&S training courses to support the phasing-in of the new E&S safeguards for project finance operations.

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

52. Among the new set of policies adopted in June 2015 is an upgraded monitoring and evaluation (M&E) policy. The M&E policy introduces a two-tiered approach that involves independent evaluation to assess the development effectiveness and long-term results of the applicant's operations and policies and procedures. The M&E policy is supported by a set of guidelines and a manual for M&E, which indicates the applicant's commitment to align its M&E practices with that of more established international development institutions.

53. Despite the recent adoption of the new M&E policy, the applicant has demonstrated a track record in E&S monitoring of international projects using international E&S standards and procedures. Project documentation showing regular monitoring of mitigation measures and resolution of issues has been provided in this application.

54. The applicant's new ESMF was developed based on an assessment conducted by an external party. This shows the applicant's efforts to improve its E&S performance.

3.2.6 **Section 6.6: External communications**

55. The applicant's public communications channel consists of three components:

- (a) A complaints and financial consumer protection system;
- (b) An information disclosure system; and
- (c) Project-specific E&S information.

56. The first component is well established, while the component on information disclosure largely follows national regulations. The applicant's integrated external communications channel allows stakeholders to file all types of project-related complaints, including those related to E&S issues. Such complaints or queries made via the website are registered by the consumer protection department and then channelled to the relevant department for follow-up and response. Complaints are tracked and the applicant provided evidence that an overview of the complaints received is reported in the annual reports. For international projects, the applicant shows experience with project-level grievance mechanisms and the public consultation requirements of international E&S standards. To strengthen its external communications, the applicant is developing an online grievance system for project-specific E&S complaints.

57. The applicant adopted a new public communications policy in 2015, which requires information disclosure of E&S documents of projects. Under the newly adopted guidance for GCF-funded projects, the applicant will follow the disclosure guidelines for E&S information as required by the GCF information disclosure policy.

### 3.3 Gender

58. The applicant adopted a gender equality policy and action plan in 2015. Prior to this, the applicant, as a public financial institution, followed the Framework Act on Gender Equality (2007) of the Republic of Korea. The applicant's gender equality policy and action plan are aligned with the GCF gender policy. Furthermore, the applicant's new guidelines for GCF-funded projects address the need for gender mainstreaming in GCF-funded projects, if accredited.

59. The gender policy and guidelines are still new, and the applicant is just beginning to develop its competency in this area. The recent establishment of the E&S policy team is expected to accelerate the development of gender competency in the organization.

60. The applicant has a limited track record in lending directly to women, as it does not operate as a retail bank. It has, however, participated in a venture capital fund set up specifically for women, which has been operating for seven years. Furthermore, since 2006, the applicant's philanthropy arm has managed a micro-credit programme for vulnerable groups, which supports female-headed households to start small businesses. The applicant's gender and climate change portfolio is beginning to be developed.

## IV. Conclusions and recommendation

### 4.1 Conclusions

61. 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 the specialized fiduciary standard for on-lending and/or blending for loans and guarantees. The applicant partially meets the specialized fiduciary standard for project management and the specialized fiduciary standard for on-lending and/or blending for equity;
  - (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); and
  - (c) The applicant has demonstrated that it has a new gender policy and procedures consistent with the GCF gender policy, and that it has some experience with financing for women-owned businesses, though outside the field of climate change. However, it has not demonstrated the necessary competencies to implement its gender policy.

### 4.2 Recommendation on accreditation

62. The AP recommends, for consideration by the Board, applicant APL044 for accreditation as follows:
- (a) **Accreditation type:**
    - (i) **Maximum size of an individual project or activity within a programme:** medium<sup>5</sup> (including micro<sup>6</sup> and small<sup>7</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>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 USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

<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 USD 10 million for an individual project or an activity within a programme”.

<sup>7</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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

- (iii) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2))<sup>8</sup> (including lower risk (Category C/Intermediation 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:
1. Provide evidence that the applicant has further strengthened its competencies to implement its gender policy; and
- (ii) Additional condition(s): for every GCF funding proposal in which the applicant seeks to provide equity funds, the Secretariat shall ensure that the following conditions are met by the applicant:
1. Disclosure of information regarding the equity exit strategy, including information regarding the intended purchasers of the equity participation upon the applicant's divestment; and
  2. The applicant shall be the equity investor of record in the proposed project; thus, equity investments through funds provided by third parties, such as the applicant's subsidiaries or private equity funds, shall not be accepted.
63. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 62 above, and agrees to the recommendation.

### 4.3 Remarks

64. Although the applicant has applied for the "large" size category for projects and activities within a programme, it is recommended that the applicant be accredited for the "medium" size category, reflecting the fact that the applicant has only recently developed its project management policies and procedures for GCF-funded projects/programmes, and that these policies and procedures are not yet tried and tested. However, the applicant may wish to

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<sup>8</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>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".

consider applying for the “large” size category once it has provided evidence of the successful implementation of its project management policies and procedures to be applied in GCF-funded projects/programmes. Specifically, demonstration of the implementation of these policies and procedures should be in terms of:

- (a) Monitoring of the project sponsor’s procurement practices;
- (b) Evaluation of projects/programmes undertaken by the applicant’s independent evaluation unit; and
- (c) Implementation of the applicant’s newly developed public information policy.

The applicant could apply for a size upgrade within the first 5-year accreditation period.

65. Although the applicant has applied for E&S risk Category A/I-1, it is recommended that the applicant be accredited instead for Category B/I-2, reflecting the fact that a large number of the applicant’s new E&S policies and practices are not yet tried and tested. However, the applicant may wish to consider applying for an E&S risk category upgrade if accredited and once it has demonstrated conformance to the GCF interim ESS for a Category B/I-2 project, and has provided further evidence of the execution of its E&S capacity-building programme. This could be within the first 5-year accreditation period.

## Annex VIII: Accreditation assessment of Applicant 045 (APL045)

### I. Introduction

1. Applicant 045 (APL045), PT Sarana Multi Infrastruktur (PT SMI), is a national entity with the goal of serving as a catalyst for accelerating national infrastructure development in Indonesia. The applicant supports the fulfilment of its government's infrastructure development objectives by implementing projects through public-private partnerships. In addition, the applicant mobilizes resources from multilateral and bilateral financial institutions in order to finance infrastructure projects. The applicant is contributing to the sustainable development and climate resilience of communities in Indonesia by financing water, renewable energy generation, transport and agriculture-related infrastructure projects.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 5 June 2015. The Stage I institutional assessment and completeness check was completed on 25 December 2015 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant 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 from Indonesia;
- (b) **Track:** normal track;
- (c) **Maximum 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 and equity); and
- (e) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per annex I to decision B.08/02 (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 USD 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. Stage I institutional assessment and completeness check

3. The applicant applied under the normal track accreditation process. Its application has been assessed by the Secretariat during Stage I as a normal-track application.

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licenses to operate, if any and relevant, as a part of the application. The applicant is a state-owned limited liability company that was established in 2009 under the regulation of the Minister of Finance of Indonesia concerning infrastructure financing companies.<sup>4</sup> The Accreditation Panel (AP) notes that at the end of 2015, the applicant's portfolio was significantly transformed with the transfer of the assets of the Government Investment Centre, resulting in an increase in its portfolio in excess of 250 per cent (over USD 2 billion). Moreover, the AP understands that the applicant's intention is to transition the company to a fully-fledged development financing institution.

### 2.2 Institutional presence and relevant networks

5. The Government of Indonesia is an important partner for the applicant as a state-owned enterprise. The applicant has also established partnerships with a variety of clients that it provides with financing for infrastructure projects. These include other state-owned enterprises, local governments and private sector entities. Additionally, the applicant has fostered partnerships with different organizations through resource mobilization, renewable investment promotion and technical cooperation. Organizations with which the applicant has partnered in this regard include international commercial banks, multilateral development institutions, bilateral organizations, regional investment companies and entities from other developing countries which facilitate South–South cooperation and capacity-building.

6. The applicant seeks to become accredited to the GCF to co-finance low-emission and climate-resilient infrastructure projects in Indonesia. The applicant also seeks to raise awareness of climate change issues through capacity-building for related stakeholders in order to promote the development and implementation of climate change mitigation and adaptation projects. Furthermore, the applicant intends to make use of its project development facilities in the development of projects that will result in the engagement of the private sector through public–private partnerships. Additionally, the applicant intends to allocate finance for micro-scale infrastructure projects with the objective of enhancing livelihoods, preserving natural ecosystems and improving the health and well-being of communities.

### 2.3 Track record

7. Since its establishment in 2009, the applicant has partnered with a number of entities to support infrastructure projects, including renewable energy projects such as hydropower, wind and biogas energy projects in Indonesia. Other sectors that the applicant focuses on are

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<sup>4</sup> Indonesian Ministry of Finance Regulation Number 100/PMK.010/2009.

transport, water, waste management, energy efficiency, health, agriculture, education and tourism. The applicant has financed 10 renewable energy projects amounting to around USD 436 million to date. The applicant has experience in developing and implementing projects in the range of the GCF medium and large size categories using different financial instruments, such as approximately USD 598 million for an international airport to increase transport capacity and develop smart buildings with renewable energy sources. The applicant is currently undertaking the following climate change mitigation and adaptation activities:

- (a) USD 30 million (loan) for a hydropower plant in Bengkulu Province, Indonesia, to generate renewable energy;
- (b) USD 111.74 million (loans) for four projects in Indonesia for irrigation purposes with the aim of reducing climate risk: Lolak Dam in North Sulawesi, Passeloreng Dam in South Sulawesi, Kudus Dam in Central Java and Cipasauran Dam in Banten;
- (c) USD 62.8 million (loan) for the capital expenditure for the water supply infrastructure to improve water security and enhance livelihoods in Jakarta, Indonesia; and
- (d) USD 100 million credit facility and USD 5 million quasi-equity facility in agreement with Agence Française de Développement (AFD) to finance renewable energy and climate change projects in Indonesia.

### III. Stage II accreditation review assessment

8. The applicant applied under the normal-track accreditation process. Its application has been assessed against by the AP during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

9. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. Moreover, in the context of the applicant's change in business model where it had, until December 2015, a largely private sector focus, to that of a public mandate, the AP has deemed it necessary to assess the applicant against the backdrop of its new business model. The AP notes that in some cases the applicant's partnerships are recent as a result of the Government Investment Centre portfolio transfer and did not arise as a direct result of the applicant's due diligence. More specifically, the applicant's domestic investment framework, including that of procurement and requirements associated with its role as a state-owned enterprise, are particularly relevant. In this regard, although the applicant has demonstrated a keen awareness of the requirements associated with a multilateral type of engagement, it has yet to fully implement its new business model in the context of this form of engagement. The AP has extensively utilized third-party resources in support of this assessment for context. The recommendations contained in this assessment are not a reflection on the applicant's competency to implement its new business model; this is rather an assessment of an institution that has yet to prove a track record of its new business model in a holistic and integrated fashion.

#### 3.1 Fiduciary standards

3.1.1 **Section 4.1: Basic fiduciary standards: key administrative and financial capacities**

10. The applicant's management, administrative and financial operations are generally conducted within the framework of a set of fiduciary standards that facilitate the applicant's monitoring of its activities and compliance with principles of good corporate governance. The applicant's Board of Commissioners and Board of Directors are guided by their respective terms of reference and they meet frequently to exercise their respective roles. The Board of Commissioners oversees the Board of Directors, but does not get involved in operational matters.

11. The applicant has a well-established independent internal audit function reporting to the President Director and, through the Audit Committee, to the Board of Commissioners. Moreover, the applicant provided evidence that the internal audit function is fulfilling its oversight role associated with internal control systems and has been particularly effective during the applicant's period of transition (see para. 4 above), which included the transfer of the Government Investment Centre portfolio to the applicant. Its internal audit report is particularly comprehensive in this regard and has highlighted a number of areas that require further development to accommodate the significant increase in its portfolio resulting from the above-mentioned transfer. The applicant's internal control framework has been formulated according to the framework of the Committee of Sponsoring Organizations of the Treadway Commission. The applicant also provided information regarding ongoing training for its staff for applying this framework.

12. The applicant provided evidence of its long- and short-term planning framework, including its business plan, which significantly describes its role and the risks associated with the increased mandate. This mandate is determined by its shareholder, the Ministry of Finance of Indonesia. Its financial statements are prepared in accordance with Indonesian Financial Accounting Standards and audited by an independent auditor of international standing.

13. Regarding procurement, the AP notes that the applicant operates in a jurisdiction where local content and ownership requirements are significantly complex. Meeting the standards of the GCF has necessitated the drafting of an operational procurement guideline (latest draft September 2016, which requires further refinement and has yet to be approved by the applicant's board) for projects that receive funding from multilateral institutions. The applicant has confirmed that all projects that it funds would have to comply with local resource/content requirements; however, the applicant has provided for flexibility regarding exemption of the local content provisions, should this be required.

14. Although the applicant has provided two examples of its procurement guideline being retrospectively tested in August 2016, it did not test for the efficacy of procurement against the impact of the local requirements. Moreover, the applicant has not provided evidence of its track record for large-scale procurement. At the time of commencing the Stage II (Step 1) assessment, the applicant did not have a dedicated procurement function; however, the applicant has provided a revised organizational structure where procurement has been elevated as a key function within its finance and operations directorate. The applicant has indicated that it plans to build capacity for this function and that the new organizational structure will take effect from 2017.

3.1.2 **Section 4.2: Basic fiduciary standards: transparency and accountability**

15. The applicant has an established code of conduct and an ethics officer, and its code provides for the establishment of an ethics committee in the case of violation of its code of conduct. Although it could not be established that an ethics committee for violations has been formed the applicant has a well-structured ‘whistle-blowing’ system that includes a policy and guidance for its application (including report criteria, violation criteria and ‘whistle-blower’ protection). The applicant transparently provides for the reporting of violations on its website.

16. The applicant has provided updated guidelines and procedures (June 2016) for its anti-money laundering (AML) and countering the financing of terrorism (CFT) programme. This risk is managed by the applicant’s legal department and the applicant has provided evidence to support its compliance with these guidelines in the form of a certificate of compliance signed by the head of the legal department. The certificate confirms that the applicant’s AML/CFT processes comply with the 40 recommendations of the Financial Action Task Force and the updated financial and commercial sanctions lists of the United Nations, France and the European Union. It should also be noted that in June 2015 the progress made by Indonesia in addressing the strategic AML/CFT deficiencies identified by the Financial Action Task Force resulted in the country’s removal of the Financial Action Task Force’s monitoring process.

17. The applicant will be required to supplement the policies and procedures provided in the accreditation application with evidence of compliance with the updated AML/CFT guidelines.

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

18. The applicant’s business operations include a project development and advisory function; however, these operations are separate from the applicant’s investment division. The potential exists for projects that have benefited from the advisory division to be considered via the project discovery process for an investment decision. The formal guidelines and procedures governing the investment division’s operations are in progress and being reviewed by the risk management department. The applicant will be required to provide the approved version of these guidelines and procedures to ascertain how its operations are segregated from its investment division.

19. The applicant’s procedures do not specifically provide for a quality review of the outcome of its project appraisal process, but the Director of Financing and Investment ensures that it is aligned with the financing guideline. Given the increased scope of its mandate the applicant is encouraged to consider including a quality review system.

20. In accordance with the applicant’s focus on its clients’ ability to fulfil its financial obligations, the applicant’s monitoring, oversight and control are based on a rating review mechanism. The applicant has indicated that it will expand its processes to provide for a more integrated approach to monitoring projects that are funded by multilateral institutions and provide for the monitoring of environmental and social risk, procurement risk, market risk and construction risk. This process will include the early warning system that is currently being developed by the applicant’s risk management division. Moreover, the applicant has indicated that there are no standard formats for project monitoring and reporting.

21. The applicant’s project appraisal methodology prior to its amended mandate at the end of 2015 was largely based on a rating methodology from Moody’s Analytics and the AP

understands that the applicant will be supplementing this with a new rating methodology based on the Indonesian rating agency, PT Pemeringkat Efek Indonesia, to be applied to its portfolio of local government activities. This model needs to be further tested and its application will include the outcome of a Ministry of Finance regulation for government guarantees for local government loans expected in the last quarter of 2016.<sup>5</sup>

22. The applicant has confirmed that in the application of its rating methodology approach, it has largely focussed on the ability of the borrower to repay its loan. However, its current transformation, including its stated intent to ultimately transform into a development bank, the focus will shift to include economic and social impacts.

23. The applicant has indicated that its policy and process does not provide for an independent review; however, the applicant's internal audit division could undertake evaluations based on pre-identified risk and report to senior management as an independent audit function. The evidence reviewed as contained in the internal audit reports confirms that this does indeed occur. However, given the increased workload it may be worthwhile for the applicant to consider undertaking an ad hoc external evaluation assessment.

24. The applicant does not have a project-at-risk system; risks are identified at the time of the site visit. Furthermore, the risk management division performs a re-rating process annually. The early warning system is also expected to address this gap and to be implemented in mid-2017.

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

25. The applicant has recently drafted various guidelines (award, management and disbursement) as the basis for implementing a grant award programme. The applicant intends to integrate a grant award programme with its infrastructure development mandate by identifying, through a call for proposals, projects and programmes that will impact on the sustainability of its infrastructure programmes.

26. The draft guidelines substantially provide for the elements called for as part of the specialized fiduciary standard for grant award and/or funding allocation mechanisms; however, they have not been tested and may require refining as the scoping for the call for proposal unfolds. Specifically, clarity is required regarding where the management of grants will reside within the organization, how it will be staffed, the role of the project evaluation committee and where final approval would be provided for. The gaps identified in section 3.1.3 in the project management section above would apply to this standard and are to be noted where relevant.

27. The applicant indicated that it would be willing to adhere to the project-level disclosure requirements on beneficiaries as required by the specialized fiduciary standard for grant award and/or funding allocation mechanisms and this will only be evidenced on implementation of the programme. The applicant has provided evidence of managing grants for its Corporate Social Responsibility Programme and audited financial results of this initiative. It is recommended that

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<sup>5</sup> The applicant has indicated that the Government Guarantees for Local Government loans has been approved by the Minister of Finance under Minister of Finance Regulation No.174/PMK.08/2016.

annual external audits be considered for this programme. The potential for external assistance in further developing this programme via readiness support should be explored.

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

28. The applicant provided evidence of its Fitch credit rating report dated November 2015, which indicates that the applicant was allocated a BBB long-term foreign currency rating. This rating is credit linked to its status as a state-owned institution and the high level of state control and strategic importance to the government's infrastructure programme. It was also allocated a local currency rating of idAAA in September 2016 by PT Pemeringkat Efek Indonesia.

29. The applicant has an overarching investment management policy which has been developed for its lending activities, but its detailed procedures are not fully developed; this has been confirmed in its audit report where it has been flagged as an item to be completed. In this regard, the applicant provided newly drafted equity investment guidelines in August 2016, and outside of its investment in PT Indonesia Infrastructure Finance, where the applicant is the largest shareholder, the applicant does not have a track record of equity investments. Further improvements in support of the applicant's operations include new risk management guidelines, which are being developed for its newly mandated operations and structure. The applicant has revised its organizational structure twice since its accreditation process commenced, the latest being October 2016, and the new structure will be implemented in 2017.

30. The applicant provided information on its on-lending and blending portfolio, including blending funds with PT Indonesia Infrastructure Finance. Its experience with multilateral funding is limited, but the applicant has started to focus on engagements with multilateral institutions of late with the signing of an AFD loan and grant in December 2015. It is expected that this activity will increase. The applicant's on-lending portfolio mainly consists of project finance loans and corporate loans, which include bridging finance and working capital. In this regard its portfolio has increased steadily since its establishment in 2009. Here again, as described in the project management section above, the applicant's framework for due diligence is the Moody's Analytics rating methodology that it has applied in the past few years. The model provides for specific inputs, the output being a rating upon which the applicant would then base its investment decision.

31. The applicant produces portfolio reports on a monthly basis for the Board of Directors and risk division. The applicant does not have a disclosure policy but has provided evidence of strategic portfolio information disclosed on its website. The applicant has indicated that it would be willing to disclose further information regarding its portfolio in the media and on its website. The extent of this disclosure, including evaluations information, would be facilitated by the applicant's intention to integrate and expand its monitoring activities to align with its new mandate.

32. The applicant provided evidence of meetings to support the functioning of its asset liability management function, the complexity of which is expected to increase with its change in mandate. The evidence provided indicates that the applicant is very much aware of its increased burden and the work that commenced in 2015 to accommodate the assets transfer and its associated risks continues to be addressed, including a review of its loan management system and treasury management system and associated controls.

33. Regarding the blending of grants with loans and other financial instruments, the applicant indicated that it does not have a track record in blending grants and that this will be covered in a guideline on multilateral funding, which is still under development, to be applied by its Treasury operations.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

34. The applicant provided its approved environmental and social safeguards (ESS) multilateral guidelines (July 2016) and its ESS procedures (September 2016), which are a revision to its 2015 project-level and corporate-level ESS guidance documents. The new guidelines and procedures (2016 guidance) further commit the applicant to international standards, international agreements and the precautionary principle, as well as to related country laws in the case of multilateral projects or funds. The 2016 guidance when compared with the 2015 version more fully addresses the protection of biodiversity, labour rights, indigenous peoples' rights and economic displacement. The ESS procedures are integrated into the applicant's investment, project development and consultation services. The project exclusion list was amended in 2015 to harmonize with standards of the International Finance Corporation, and it removes projects that are not suitable (e.g. projects that could harm critical habitat). In line with the interim ESS standards of the GCF, the 2016 guidance covers performance standards 1 to 8. In addition, there are specific standards for energy conservation and for consultation and grievances.

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

35. In line with domestic regulations, Category A or high-risk projects are subject to a full environmental and social impact assessment (ESIA) and an environmental and social management plan (ESMP); Category B projects require an environmental analysis and an ESMP. Under the 2016 guidance, the applicant screens for the requirements of its 10 ESS procedures during the project categorization process. A due diligence process is conducted during appraisal for high- and medium-risk projects. Corrective action plans, when needed, are integrated into the investment agreement. ESS risks are integrated into the applicant's risk assessment and management procedure. The head of the risk management division approves the project category, based on the ESS officer's evaluation.

36. The applicant provided three project examples with reports showing its experience with project categorization and due diligence in 2015. It is now building its track record with the updated 2016 guidance, providing two recent project examples from 2016 for environmental and social (E&S) risk and impact categorization and due diligence.

### 3.2.3 Section 6.3: Management programme

37. The 2016 guidance is in line with GCF requirements. The risk management division through the applicant's ESS unit now ensures that activities meet the ESS requirements and comply with ESS regulations. It determines the risk category; approves and submits the due diligence reports; conducts site visits and monitoring visits; reviews ESIA reports; and ensures that adequate resources are allocated for ESS aspects. The ESIA process analyses the relevant

environmental baseline, cumulative impacts and impacts of associated facilities and alternatives, and then a mitigation hierarchy is applied to manage impacts. The project owner must prepare the ESIA/ESMP (including integrating any corrective action plans), and then implement and report to the applicant on ESMP implementation and compliance. The applicant verifies compliance with covenants and conducts compliance monitoring and auditing during implementation.

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

38. The organizational chart highlights the position of the risk division and ESS unit. The 2016 guidance defines the key ESS roles and reporting lines. Although the ESS unit staff were only recently recruited by the applicant, the curriculum vitae of the four ESS unit staff show the skills and experience needed to manage the 2016 guidance. A list of ESS training events from 2014 to 2016 was also provided as supporting evidence.

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

39. According to the 2016 ESS procedures, the project owner will implement the ESMP in compliance with regulations, and report to the applicant on ESS compliance. The ESS officer will monitor, supervise and report on ESS implementation. If ESS issues arise, the ESS officer will evaluate them and recommend solutions. The ESS findings will be integrated into the quarterly reports for submission to management.

40. In addition, the finance department, monitoring unit and project-development unit assess compliance with the investment agreement and legal obligations (e.g. environmental regulations and loan covenants). The applicant provided a track record of ESS monitoring and review under the 2015 guidance for some projects under international co-financing arrangements. It also provided two project-monitoring examples conducted under the 2016 guidance. The 2016 guidance commits to conducting evaluations to continuously improve ESS performance. The applicant indicated that some aspects of the monitoring procedure are still under development (e.g. steps to be taken by senior management to ensure that the ESS policy is met). The applicant also indicated that it is willing to hire an external ESS auditor to evaluate the ESS system and to capture lessons learned, as needed.

#### 3.2.6 **Section 6.6: External communications**

41. The applicant has general guidance for internal and external communications, and information dissemination, with general principles for transparent, effective, accountable communications. External communications are implemented through corporate social responsibility programmes, and relations with the media, government and investors. The applicant's ESS number 10 is its consultation, information disclosure and grievance mechanism. Based on the applicant's ESS number 10 process flowchart, project owners will conduct public consultation and provide ESS information in a transparent manner and in accordance with regulations. The 2016 ESS procedure instructs project owners to disclose Category A documents on their website for at least 120 days. The applicant confirmed that it will integrate GCF disclosure requirements into its financing agreement for GCF-funded projects/programmes.

42. The applicant's ESS number 10 requires projects to establish a mechanism to receive and resolve grievances and to inform local residents about the mechanism. In addition, the

applicant has a new online ‘whistle-blowing’ procedure with staff to receive, register and process ESS complaints.

### 3.3 Gender

43. The applicant’s code of conduct and code of corporate governance protect employees and beneficiaries from any discrimination based on gender, ethnicity, religion or race. The codes also commit to fair and equal treatment of all employees during recruitment, career development, remuneration, training opportunity and performance evaluation.

44. The applicant’s climate-change-related projects have benefited both men and women and society in general. Its new gender framework and action plan is integrated into the 2016 ESS multilateral guidelines. The applicant now intends to integrate gender criteria and indicators from the onset of activities. In line with the GCF gender policy, projects under the multilateral guidance will include a gender accountability framework, relevant competencies and resources to ensure women and men benefit equitably from project activities. The applicant’s ESS unit will supervise the implementation of the gender policy by project owners. The applicant’s ESS unit has one member of staff with some gender competency, who will develop internal gender capacity, with the help of other gender experts, as needed.

## IV. Conclusions and recommendation

### 4.1 Conclusions

45. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant partially 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. It does not meet the fiduciary standard for on-lending and/or blending for equity;
- (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); and
- (c) The applicant has a new 2016 gender policy, consistent with that of the GCF, and action plan, but more time is needed to demonstrate its full application, and to build experience with gender considerations in the context of climate-change-related projects.

### 4.2 Recommendation on accreditation

46. The AP recommends, for consideration by the Board, applicant APL045 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** small<sup>6</sup> (including micro<sup>7</sup>) while taking note of the remarks contained in section 4.3 below;
- (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); and
- (iii) **Maximum environmental and social risk category:** medium risk (Category B/ Intermediation 2 (I-2))<sup>8</sup> (including lower risk (Category C/Intermediation 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) associated with the GCF fiduciary standards to be addressed prior to first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Provide a formal plan for mainstreaming the multilateral procurement framework into the applicant's operations, including plans for resourcing the function and making provision for an annual audit as a standard process and provide for lessons learned. This should include provision for disclosure of contract awards on the applicant's website;
  2. Further develop its grant management framework, ensuring the framework is mainstreamed into its overall operations. This includes

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<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 USD 10 million and up to and including USD 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 USD 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 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>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".

- further developing how the applicant intends to blend grants as part of both its direct and, in the future, its intermediated lending portfolio;
3. Provide further evidence (in the form of two examples) of its compliance with its most recent AML/CFT policy in the context of its new mandate;
  4. Provide for project disclosure on its website, including monitoring and evaluation of its projects;
  5. Provide the approved version of the risk management guidelines and procedures, including information on the segregation of duties;
  6. Provide two examples of reports from its management information system; and
  7. Provide an English version of the outcome of the recent regulation associated with government guarantees where relevant for the applicant's sustainability.
- (ii) Condition(s) associated with the GCF interim ESS and gender policy to be addressed prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:
1. Demonstrate with one more example per procedural step, full application of the 2016 guidance including its 10 ESS, as well as the application of its gender policy (i.e. provide one screening exercise, one ESIA, one gap analysis, one corrective plan, one gender assessment, one project disclosure report, one monitoring report and one ESMP); and
  2. Provide proof of employment of an external expert acceptable to the GCF to prepare the ESIA and ESMP of the first project to be submitted to the GCF, in full compliance with its 2016 ESS guidelines.
47. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 46 above, and agrees to the recommendation.

### 4.3 Remarks

48. The fact that the applicant only "partially meets" the GCF fiduciary standards and the interim ESS standards of the GCF that it has applied for reflects especially the evolving nature of the applicant's operations, moderated by its own recognition that additional policy and resource requirements are required to fulfil its new mandate. These are, however, issues that are being proactively addressed by the applicant. Although the accreditation framework provides for the referral of an applicant for readiness support to address gaps such as these, in the context of this applicant, the AP assesses that deferring the applicant's accreditation to a later date for it to address such gaps – identified by way of this assessment and in large part by its own management and audit processes – is not warranted. Its corporate governance framework has facilitated proactive attempts to identify and incorporate the changes required for its new business model and the applicant is in a learning-by-doing mode of operation.

49. Hence, whereas the applicant has applied for the GCF large size category and maximum E&S risk Category A/I-1, the AP – although it recognizes the successes the applicant has achieved with its original business model – recommends that at this stage in its development the applicant be accredited for the small size category and E&S risk Category B/I-2. More time is needed to further detail some internal administrative and financial procedures, and to demonstrate the full application of the new 2016 ESS guidance, as it moves from country systems to the interim ESS standards of the GCF. Accordingly, it is suggested that, at a mutually agreed time, the applicant should be re-assessed, having fully adjusted to its new responsibilities and mooted change in status to that of a development bank. To facilitate that re-assessment, the applicant would need to have provided additional timely evidence in the following areas, among others:

- (a) The guidelines and procedures of its project development and advisory division;
- (b) The early warning system in its risk management framework;
- (c) In respect of procurement, pricing/budget risk and construction risk in its operations to accommodate multilateral funding reporting requirements;
- (d) The introduction of an independent evaluations mechanism based on elevated levels of risk;
- (e) Annual external audit of its procurement function;
- (f) Annual audit on the implementation of its 2016 ESS guidance and gender framework;
- (g) Annual compliance regarding AML/CFT from its legal division; and
- (h) Progress on grant management associated with its AFD loan.

50. The AP also notes that the applicant does not have significant experience with financial intermediation and, in this regard, it will require time to develop its processes and expertise prior to an intermediated engagement with the GCF. This comment also applies to equities (and guarantees, if appropriate) where the applicant is encouraged to develop policies and procedures associated with these instruments and mainstream these throughout their operations.

51. The applicant is encouraged to seek readiness and preparatory support where applicable to assist it with meeting the condition(s) and/or addressing remarks contained in this assessment.

## Annex IX: Accreditation assessment of Applicant 046 (APL046)

### I. Introduction

1. Applicant 046 (APL046), the Central American Bank for Economic Integration (CABEI), is a regional entity that was established with the objective of promoting economic integration and balanced economic and social development in Central America. The applicant provides financing to both the public and private sectors for the implementation of projects that foster sustainable development and that improve the climate resilience of communities in the region. A variety of financial instruments are deployed by the applicant through projects in sectors such as agriculture, energy, human development and transport.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 5 February 2016. The Stage I institutional assessment and completeness check was completed on 14 September 2016 and was progressed to Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
  - (a) **Access modality:** direct access, regional. The applicant received national designated authority or focal point nominations for its accreditation application from El Salvador, Guatemala and Honduras;
  - (b) **Track:** fast-track under the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation (DG DEVCO) (part way through Stage I for the AF and part way through Stage II (Step 1) for DG DEVCO; previously under the normal track);
  - (c) **Maximum 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) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per annex I to decision B.08/02 (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 USD 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

## II. Stage I institutional assessment and completeness check

3. The applicant originally applied under the normal-track accreditation process and became eligible part way through Stage I for the fast-track accreditation process as an AF entity. Its application has been assessed by the Secretariat during Stage I, initially as a normal-track application, then subsequently in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

4. The applicant, supported by the Readiness and Preparatory Support Programme, underwent an institutional assessment wherein some institutional gaps were identified and a capacity-building action plan was developed and is in progress in order to address these gaps. Minor gaps with respect to the GCF fiduciary standards were addressed by the applicant. Some gaps were also identified in terms of alignment with the GCF interim environmental and social standards (ESS), and the applicant engaged a consulting firm through an open procurement process to update the applicant's environmental and social policy and other related materials.

### 2.1 Legal status, registration, permits and licences

5. The applicant provided documents on its establishment and licences to operate, if any and relevant, as a part of the application. The applicant was established in 1960 under the Constitutive Agreement of the Central American Bank for Economic Integration.

### 2.2 Institutional presence and relevant networks

6. With its headquarters in Honduras and a network of five offices in its founding member countries located in the Central American region (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), the applicant works to promote the economic integration and the balanced economic and social development of its member countries. The applicant leverages its partners which include local private sector institutions, bilateral and international development organizations and other regional entities to catalyse the impacts of financing it sources from public and private regional and international institutions.

7. The applicant is seeking accreditation to the GCF in order to provide financial solutions that contribute to climate-sensitive sustainable development pathways of its Central American members. It has implemented projects and regional programmes in the areas of renewable energy generation, agriculture, water and infrastructure development together with its partners. The applicant seeks to continue enhancing country ownership through the projects and programmes it implements in its member countries by aligning itself with their interests and assisting them in the implementation of their nationally determined contributions for climate change. In addition, it seeks to continue providing a platform for knowledge-sharing and capacity-building at the regional and local levels.

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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".

## 2.3 Track record

8. The applicant mobilizes financial resources for its climate change projects and regional programmes by partnering with the private sector and bilateral and international financial institutions in order to assist its member countries which include small island developing States. It provides financing to the public and private sectors and is specialized in attracting and channelling external resources, complementary and additional to those provided by other sources in order to promote climate-resilient investment and other development opportunities. The applicant intends to continue cooperating with the public and private sector organizations in order to achieve adaptation and mitigation of climate change impacts in its member States.

9. The applicant has a track record in financing sustainable development and climate change related projects in the areas of hydropower energy generation and transportation, using loans, equity and guarantees as financial instruments. To date the applicant has disbursed over USD 23 billion to support projects in Central America. During the period between 2000 and 2015, the applicant allocated USD 2.185 billion to private sector projects of which 38 per cent was allocated to climate mitigation and adaptation activities. The applicant's sustainable development and climate change related projects blended with its own investment to date include the following, which fall within the GCF large size category or smaller:

- (i) USD 1.4 billion (loan) for the Reventazón hydroelectric project in Costa Rica;
- (j) USD 36 million (loan) for the Green micro, small- and medium-sized enterprise programme with renewable energy and energy efficiency projects in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; and
- (k) USD 370 million (loan) for the Road construction and rehabilitation project in Costa Rica.

### III. Stage II accreditation review assessment

10. The applicant is eligible for, and applied under, the fast-track accreditation process as an AF entity and a DG DEVCO entity (part way through Stage II (Step 1) for DG DEVCO; previously under the normal track). 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, B.10/06, B.12/30 and B.14/09.

11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

12. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.4 (investigation function) and item 4.2.5 (anti-money laundering and countering the financing of terrorism policies), has been met by way of fast-track accreditation.
14. Regarding item 4.2.4, the applicant has a policy, which guides the mechanism for reporting and investigating irregularities and potential and actual violations of the applicant's internal regulations or prohibited practices with regard to the use of the applicant's funds or those administered by the applicant. In addition, the applicant has created a publicly-available whistleblowing reporting channel on its website for the purpose of receiving and processing reports on the violations identified by a third party or an employee.
15. The investigation function is structurally independent from the applicant's management and has a designated committee that is responsible for the review, analysis and proposal of recommendations with regard to the reports received through the publicly-available reporting channel. The applicant provided a certified statement that since the operationalization of the reporting channel none of the reports received and investigated by the committee have been considered to be potential or actual irregularities or violations of the applicant's internal norms or regulations.
16. Regarding item 4.2.5, the applicant presented a set of comprehensive anti-money laundering and countering the financing of terrorism policies and that are found by the AP to be in full compliance with the GCF interim policy on prohibited practices.<sup>4</sup> The manual for the prevention and risk management of money laundering and financing of terrorism establishes the system for the identification and management of such potential or actual risks, which is in line with recognized international standards and sound banking practices and guidelines issued by the Financial Action Task Force Group, including the Caribbean Financial Action Task Force, the Financial Action Task Force of South America<sup>5</sup> and the Wolfsberg Group<sup>6</sup> and other agencies specialized in the prevention and risk management of money laundering and financing of terrorism.
17. The applicant's whistleblowing reporting channel available on its website provides the definitions of the prohibited practices as fraudulent, corruptive, coercive, collusive and obstructive practices.
18. The applicant's due diligence process of its customers and counterparts with regard to combating money laundering and countering the financing of terrorism is established and is operating in accordance with corresponding policies and guidelines, moreover it is found to be transparent, efficient and mature.
19. The applicant operates a mature monitoring system of electronic funds transfer and performs screening audits on the money transfers undertaken between the applicant and its counterparts. As supporting documentation, the applicant provided copies of recent 'know-your-customer' due diligence reports.

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<sup>4</sup> Decision B.12/31, paragraph (h).

<sup>5</sup> <<http://www.fatf-gafi.org>>.

<sup>6</sup> <<http://www.wolfsberg-principles.com/standards.html>>.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

20. As per paragraph 10 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

21. As per paragraph 10 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.

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

22. The applicant has extensive experience in receiving funds from its member countries and in on-lending and blending these funds in the projects and programmes identified in line with the corresponding country's sustainability and social priorities. In doing so, the applicant became a major regional partner for the countries' governments in the area of sustainable finance and climate change related initiatives in Central America. In the period of 2012 to 2015, the applicant mobilized public resources for climate change initiatives in the amount of USD 901 million.

23. The applicant has demonstrated a substantial track record in providing and managing finance for projects that fall within the GCF medium and large size categories, as well as to microfinance programmes in the renewable energy generation, energy efficiency, urban development, waste recycling, water management, agriculture, forestry and biodiversity conservation sectors.

24. The applicant has also demonstrated the implementation of sound financial management policies, investment procedures and governance/organizational structures that ensure the appropriate segregation of duties of the treasury function and operations.

25. The applicant has a well-established due diligence process with clearly defined roles and responsibilities, and applicable guidelines and procedures for assessing the capabilities and eligibilities of the other financial institutions and private companies seeking financing from the applicant. Sample due diligence reports on the applicant's on-lending and blending operations show the effective use of and compliance with the existing policies and procedures. In addition, the applicant provided evidence of conducting the periodic reviews of its own credit portfolio on both public and private sectors using a specially designed risk assessment system to ensure the probability of receiving its debt service payments in the agreed-upon conditions.

26. The applicant's risk rating methodology, which is a part of the internal audit annual work plan, enables the applicant to identify potential loan problems in a timely fashion, take preventative actions and establish the adequate financial reserves to cover possible losses. The applicant conducts semi-annual monitoring on each recipient at the internal level, which is followed by the annual validation of the independent external assessor in a consistent and objective manner.

27. To support the evidence that the funds provided by the applicant are channelled transparently and used effectively, the applicant presented its DG DEVCO six pillar assessment report from the External Auditor, containing the confirmation on fulfilling the requirements for

internal control, accounting system, independent external audits, grants, procurement policies and financial instruments.

28. The information on project beneficiaries, project results achieved and lessons learned is periodically published on the applicant's website and is included in its publicly-available annual reports. The applicant uses the information on the lessons learned to modify and improve its performance and assessment of project risks.

29. The applicant has received long term foreign currency ratings by the three ratings agencies: "A1" by Moody's Investors Services, and "A" by Fitch Ratings and Standard & Poor's. The rating reports provided by all three agencies contain the details of the methodologies used in the rating of the applicant.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

30. The applicant's first environmental and social (E&S) policy was approved by the applicant's board of directors in January 2009. As part of the applicant's internal improvement processes, as well as the applicant's motivation as the result of review and advice from an international bilateral agency, and in preparation for the applicant's accreditation applications for the Adaptation Fund and the GCF, the applicant's senior administration together with its evaluation office identified the need for strengthening its E&S policy. Through readiness and preparatory support provided by the GCF, the readiness delivery partner carried out a gap analysis of the applicant's 2009 E&S policy, 2014 E&S procedure (which were an update to the applicant's 2010 E&S procedure) and the applicant's E&S-related strategy, with respect to the GCF interim ESS. This exercise led to the development of the applicant's revised 2016 E&S policy, which was approved by the applicant's board of directors in early November 2016.

31. The AP finds the applicant's 2016 E&S policy to be in line with the GCF interim ESS, as well as the GCF Information disclosure policy with respect to the disclosure of E&S information for projects/programmes of certain categories of E&S risk. The applicant's E&S policy includes a comprehensive statement on the E&S objectives and principles guiding the applicant. The policy states that the E&S standards that the applicant adheres to include the host country's laws and the host country's obligations under international law. The policy is communicated with the applicant's staff and made publicly available on the applicant's website.

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

32. The applicant's E&S risks and impact assessment framework has also undergone an evolution from its original version (2010), which assessed all of the performance standards 1 to 8, except for performance standards 3 and 4, to the 2014 version, which incorporated all of the performance standards 1 to 8. Since then, the 2014 version was further upgraded in September 2016 to align with the applicant's 2016 E&S policy, and was approved by the applicant's management in November 2016.

33. The E&S risks and impacts procedure describes the applicant's institutional process to guide its staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project's lifetime. E&S risk and impact categorization is divided into project risk

categorization and financial intermediation risk categorization. Both have three levels of risk (A to C, with A being the highest and C the lowest). The applicant's E&S risk and impact assessment framework are in line with performance standard 1 of the GCF interim ESS.

34. The evidence of a track record consistent with the application of performance standards 1 to 8 was provided based on the applicant's application of its 2014 E&S procedure. The applicant also provided sample projects in which risk identification and mitigation has been applied based on its first E&S policy (2009) and E&S procedure (2010 and 2014), which were also found by the AP to be consistent with the GCF interim ESS. The implementation of the 2016 E&S procedure would be evident following its adoption by the applicant's management expected at the end of 2016, and would apply to GCF-financed projects/programmes.

### 3.2.3 **Section 6.3: Management programme**

35. The applicant's 2016 E&S policy and the E&S procedure both describe the applicant's institutional process for managing E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process, distinguishing between the different categories of E&S risk mentioned above. The applicant also provided examples of projects showing how the E&S mitigation measures were addressed and managed under its 2009 E&S policy and 2014 E&S procedures, which are consistent with the GCF ESS requirements.

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

36. The applicant has provided its organizational chart and a project cycle flow chart, which set out the reporting lines with key E&S responsibilities along the project/programme assessment process. The applicant also provided evidence of having adequate technical staff in its institution with direct responsibility for the project/programme E&S performance having the knowledge, skills and experience to ensure implementation of performance standards 1 to 8 of the GCF interim ESS. The applicant provided information on the E&S training undertaken by its staff.

37. Responsibilities for identifying and assessing project risk and impacts lie within the applicant's sector and country division, as part of the loan/grant analysis.

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

38. The applicant's E&S procedure and related guidelines describe its monitoring and supervision process that instructs its staff on how to systematically track completion of mitigation and performance improvement measures, including the identification of roles and responsibilities for the implementation of such processes. The responsibility for monitoring is shared between the Credit Manager, Regional Office Manager, Country and Sector Managers and Project Supervisors.

39. The applicant provided several sample monitoring reports which were also shared with its senior management team to inform it and also seek its advice on the effectiveness of the applicant's ESS. The applicant also provided examples of how lessons learned from monitoring and evaluation have influenced the updates to the applicant's ESS, as reflected in paragraphs 30, 32 and 33 above.

### 3.2.6 Section 6.6: External communications

40. The applicant's external communication system is described in its 2016 E&S procedure. The applicant has provided links to its website to receive and register external communications in line with the applicant's new E&S policy and procedure. Since the launch of the system in September 2015, there were no inquiries or complaints received in 2015. For complaints received in 2016, the applicant shared information showing the necessary actions being taken by the applicant to resolve them. The system is nevertheless designed to register and track the issues raised to ensure that they are effectively addressed.

41. Until September 2016, the applicant did not have a specific policy or procedure for publicly disclosing project/programme E&S assessment reports, including its E&S risk categories, therefore no evidence of disclosure or duration of disclosure have been provided by the applicant. However, the applicant's policy on the disclosure and consultation of its E&S assessment documents as described in its 2016 E&S procedure is found by the AP to be in line with the GCF Information disclosure policy, which the applicant has committed to apply for GCF-funded projects/programmes.

## 3.3 Gender

42. The applicant has a well-established Gender policy in place since 2010, which was developed with technical assistance from the United Nations Development Fund for Women to mainstream gender considerations into the applicant's strategy and operations. Additionally, the applicant's 2015 to 2019 institutional strategy also entails principles of gender equity.

43. The applicant provided examples of its lending operations that specifically target and distinguish between beneficiaries who are women and those who are men. The applicant's examples also provide evidence to show that projects to which the applicant lends have non-discriminatory practices in terms of benefits for and remuneration of employees who are men and women. The applicant provided names and curricula vitae of its staff to demonstrate its competency and experience in addressing gender and climate change issues.

## IV. Conclusions and recommendation

### 4.1 Conclusions

44. Following its assessment and noting that the applicant has applied under the fast-track accreditation process part way through the process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standard, specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
- (i) 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

- (ii) 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 GCF Gender policy, and has demonstrated that it has experience with gender consideration in the context of climate change.

## 4.2 Recommendation on accreditation

45. The AP recommends, for consideration by the Board, applicant APL046 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>7</sup> small<sup>8</sup> and medium<sup>9</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) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2<sup>10</sup> and Category C/I-3<sup>11</sup>)); and
- (b) **Conditions:** none.

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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 USD 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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

<sup>9</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 USD 50 million and up to and including USD 250 million for an individual **project** or an activity within a programme”.

<sup>10</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>11</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”.



46. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 45 above, and agrees to the recommendation.

## Annex X: Accreditation assessment of Applicant 047 (APL047)

### I. Introduction

1. Applicant 047 (APL047), Fundación Avina, is a regional non-profit organization with a mandate to support sustainable development in the Latin American region. Its regional programmes focus on two broad themes: climate change and the economy; and governance and public goods. Its activities aim to enable climate action in sectors, cities and biomes, including on access to water and energy, resource management, and promoting climate-compatible development. The applicant achieves this through a broad network of grass-roots and community-based organizations, national and local governments, non-governmental organizations, the scientific community and the private sector.
2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 4 December 2015. The Stage I institutional assessment and completeness check was completed on 5 September 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:
  - (a) **Access modality:** direct access, regional. The applicant received national designated authority or focal point nominations for its accreditation application from Chile, Ecuador, Paraguay and Peru;
  - (b) **Track:** normal track;
  - (c) **Maximum size of an individual project or activity within a programme:** micro;<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
  - (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3)).<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), “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 USD 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”.

## II. Stage I institutional assessment and completeness check

3. The applicant applied under the normal-track accreditation process, and was assessed by the Secretariat during Stage I.

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as part of the application. The applicant explained that it was created in 1994 and that it is legally registered as a regional organization in Panama.

### 2.2 Institutional presence and relevant networks

5. The applicant operates in 20 countries with a network of 13 related legal entities in Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Paraguay and Peru. The applicant has been operating in the region for over 20 years and mobilizes its regional network of over 7,000 partners from the public, social and business sectors in pursuit of its mission of sustainable development in the region through the promotion of strategies which contribute to low-emission, climate-resilient, inclusive development. With in-depth knowledge and experience of the region, the applicant leverages on its diverse network of partners to create and support collaborative processes that produce effective cooperation among governments, municipalities, entrepreneurs, companies, civil society organizations and academia, facilitating the contribution of these partners to sustainable development.

6. The applicant seeks to contribute to the objectives of the GCF by availing training, financial resources and information to public, private and civil society stakeholders in its region to enable them to enhance social and technological innovations. It seeks to leverage its experience of implementing projects that facilitate climate change mitigation and adaptation in land use, forestry, ecosystem services, institutional systems, enhancing livelihoods and awareness-strengthening. In addition, the applicant intends to continue supporting national and local governments in Latin America to help strengthen their climate policies, as well as climate action.

### 2.3 Track record

7. The applicant mobilizes financial resources for its climate change projects and programmes by partnering with its diverse network of partners which includes public, private and subnational entities. The applicant intends to continue cooperating with public and private sector organizations in order to implement climate change adaptation and mitigation projects.

8. The applicant undertakes climate-resilient sustainable development by mainstreaming climate change mitigation and adaptation in the sectors in which it operates. The applicant's track record in financing sustainable development and climate change related projects to date includes the following, which fall within the GCF "micro" size category:

- (a) USD 2.84 million (grant) for the “Access to water” project;
- (b) USD 6.35 million (grant) for the “Strategy for the Amazon biome” project; and
- (c) USD 0.7 million (grant) for the “Sustainable and inclusive natural resources management in the South American Chaco” project.

### III. Stage II accreditation review assessment

- 9. The applicant has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF under the normal-track process.
- 10. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

- 11. The applicant has an organizational and corporate governance structure that is appropriate for the size and scope of its activities. The applicant’s board of directors has four oversight committees: audit, risk, compensation, and governance and nomination. The applicant has a process for setting long- and short-term objectives derived from an understanding of its overall mission; a process for preparing annual budgets and monitoring of such budgets; and a process for assessing the performance of business plans against the set objectives.
- 12. The applicant’s annual financial statements for the years 2012, 2013 and 2014 were prepared in accordance with the International Financial Reporting Standards. In addition to financial statements, examples of the quarterly internal reports and reports to the applicant’s board of directors that cover the expected financial metrics such as assets, income, expenditure, cash and liabilities were provided. The applicant has transparent and consistent payment and disbursement systems in place with documented procedures and clear allocation of responsibilities.
- 13. The applicant has an established internal audit process under which activities are directly and regularly monitored by the applicant’s board audit and risk committees. The internal audit function is supported by an internal audit charter, which sets out the requirement for independence, the necessary qualifications of staff members, the reporting frequency, and the responsibility for disseminating information. The operation of the internal audit in accordance with the applicant’s audit charter is demonstrated by appropriate evidence such as minutes of meetings, audit plans, sample reports and status reports provided by the applicant. The applicant complies with the international standards and code of ethics of the Institute of Internal Auditors. The applicant has appointed an external auditor to independently review financial statements at a country level and at an overall organizational level. Depending on the jurisdiction, the accounting standards of the International Financial Reporting Standards or the United States Generally Accepted Accounting Principles are applied. The auditor’s terms of reference set out the requirements of management in relation to providing information and resources.

14. The applicant has a well-developed internal control framework which includes a matrix of responsibilities showing legal entity and unit administration roles. The functions that make up the internal control framework include a broad range of controls; for example, banking, petty cash, currency, budgeting and internal audit. An assessment of the adequacy of the applicant's internal controls relating to the core financial management areas is undertaken by the applicant's external auditors during the annual audit exercise. Management reports describe the overall controls as well as the specific control gaps identified in the exercise.

15. The applicant has procurement policies and procedures that are found to be appropriate and adequate for its own procurement activities. The procedures include guidelines for approval of expenditures at different levels. The applicant has developed a procurement policy for the grantees that receive grants exceeding USD 3,000. The grant contracts contain the standardized procurement rules to be followed by the beneficiary in relation to the grant funding.

3.1.2 **Section 4.2: Basic fiduciary standards: transparency and accountability**

16. The applicant has in place the appropriate processes, authorities and key documents for supporting the ethical behaviour of its employees, such as an ethics committee, a code of ethics and relevant guidelines. The code of ethics also addresses issues related to the conflict of interest.

17. Prevention of financial mismanagement is managed by the specific set of internal financial standards, as well as by the policies for ethical behaviour including whistle-blower procedures and confidentiality provisions. The applicant's management team has committed to a "zero tolerance" policy in relation to fraud, that is in line with the GCF General Principles on Prohibited Practices.

18. The applicant has provided evidence that the investigative function is carried out by its ethics committee. The functions of the committee, which are included in its terms of reference and reporting requirements, are outlined in the appropriate procedures. The implementation protocol for the code of ethics outlines the notification process, guaranteed confidentiality, requirements for the analysis of all complaints, auditing, communication and reporting, and corresponding responsibilities. The ethics committee reports to the chief executive officer, and is required to report to the executive management team on the number and outcomes of investigations.

19. The applicant has provided a statement confirming that there have been no fraud or corruption-related investigations in the last three years.

20. The applicant provided its anti-money laundering (AML) and countering the financing of terrorism (CFT) policy that was approved by its board of directors. The policy establishes eligibility criteria for the evaluation of the donors of grant funds, as well as the exclusion list of the types of activities funded and developed by the applicant. This policy is found to be in a full compliance with the GCF interim policy on prohibited practices.

21. Moreover, existing grant approval procedures require specific checks of relevant documentation and management processes from partner entities. The checks are conducted using a specific checklist. Legal entities cooperating with the applicant are also required to conform to AML and CFT laws in their respective countries.

22. The applicant has a well-established in-house electronic system for undertaking ‘know-your-customer’ due diligence, as well as for close monitoring of fund transfers.

3.1.3 **Section 5.1: Specialized fiduciary standard for project management**

23. The applicant has a substantial track record in climate change mitigation and adaptation projects and programmes developed under various grant award mechanisms in cooperation with national authorities in Latin America, as well as international organizations and large private companies operating in the region.

24. The applicant has offices and staff distributed throughout the Latin American region to enable the organization to work closely with project proponents in the preparation of project documents and the provision of feedback and support to the beneficiaries throughout the grant award process. The applicant has detailed policies and procedures that guide its project identification, appraisal, management, monitoring and evaluation, and closure functions.

25. The provisions for project management are contained in the applicant’s grant management policy, which is supported by project proposal and accountability templates and project appraisal tools that are used to standardize the process for project preparation and ensure compliance with the policy in a clear and organized manner. The format of the appraisal template includes the requirements for timelines, budget, narrative and financial reports, as well as the matrix on how the monitoring of the project should be undertaken. The score calculation tools that are used in the project appraisal process serve as a basis for senior management approval.

26. The applicant has established an in-house electronic monitoring and reporting system to record and analyse all project and programme information, as well as to ensure the uniformity of data from approved and developed projects. The system supports the preparation of internal reports and analysis, including project evaluation reports based on the inputs available in the system. It also contains guidance on providing information on set project objectives and outcomes, and ensures that the correct amounts of project financing are disbursed in a timely manner.

27. The applicant has well-established project-at-risk procedures and systems in place with clearly defined roles and responsibilities for identifying and recording problems identified in projects. The electronic system requires that project risks/problems be identified, recorded and addressed in a timely and efficient manner, which has been demonstrated in documentation provided by the applicant. However, the applicant does not have a general stand-alone policy for project risk identification; the specific risk identification and mitigation protocol is established at a certain level for each project or programme. The project risks are identified and analysed on a case-by-case basis by the applicant’s staff members in cooperation with the project partner organization at the project preparation and implementation stages, and corresponding mitigation measures are subsequently developed and implemented.

28. The applicant provided evidence of the effective implementation of policies and the electronic monitoring and reporting system by presenting appraisal, implementation and monitoring reports of specific projects, as well as by demonstrating the design and contents of the system to the AP assessment team members at an in-person meeting. In addition, the

applicant provided appropriate evidence of undertaking comprehensive oversight of the projects and conducting on-site visits to project locations.

29. In the course of the assessment it was found that, although the applicant publishes information on the results of projects developed under the grant award programmes on its website and in its annual reports, it does not have in place some of the procedures required by the GCF fiduciary standards, namely procedures for public disclosure of project implementation reports, including budget utilization and project evaluation reports.

30. In order to address these gaps, the applicant is developing a comprehensive grant information disclosure procedure, which is scheduled to be approved by its board before the end of 2016.

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

31. The applicant's grant award mechanism procedural framework is found to be mature and well-developed. The grant management procedure and its supporting guidance documents include clear, standardized provisions for evaluating proposals and awarding grants, eligibility criteria for projects, due diligence procedures, as well as roles and responsibilities for grant disbursements and reporting.

32. The applicant's grant management procedure also includes standardized provisions for the recovery of funds paid to grantees, in respect of expenditures which are unauthorized or fall outside the scope of the funding for projects; procedures for suspension, reduction, or termination of grants in the event of the beneficiary failing to comply with its obligations; and systems to prevent irregularities in the use of grant funds.

33. The specific rules for competitive grant award programmes managed by the applicant are established in close cooperation with the corresponding grant donors and all decisions relating to grant awards are governed by the respective grant award committee. The terms of reference and records of the work of ad hoc groups and evaluation committees were provided and contain evidence of the competence and independence of their members.

34. Information on all projects managed by the applicant is recorded by the applicant in its well-developed electronic monitoring and reporting system.

35. The applicant has provisions for the periodic external audit of its grant award activities and has provided the audit reports for the last two years. In addition, the applicant provided reports prepared by its donor partners, for example multilateral organizations, containing positive observations and conclusions on the performance of the applicant in respect of its management of projects and funds provided.

36. Although the applicant publishes information on grant award notices, as well as on results and lessons learned from projects and programmes implemented under the grant award mechanisms on its website and in annual reports, it does not have in place some of the procedures required by the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms.

37. In order to address these gaps, the applicant is developing a comprehensive grant information disclosure procedure, which is scheduled to be approved by its board before the

end of 2016. However, in order to fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, the applicant would need to demonstrate the effective implementation of this public disclosure procedure for the aforementioned points.

38. Overall, following the assessment, it has been concluded that the grant award mechanisms implemented by the applicant are mature and well-established and can be applied to GCF-funded activities with some minor updates.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 **Section 6.1: Policy**

40. While an environmental and social (E&S) policy is not required for any applicant seeking the E&S risk Category C/I-3, the applicant provided its risk protocol for managing institutional risk, which defines risks as “any and all situations which threaten the reputation or capacity of the applicant to achieve its institutional objectives”. The applicant’s mission is to advance its own contribution to the global transition towards low-emission, resilient and inclusive development in the Latin American region by invoking collaborative processes that leverage social and technological innovation. The applicant has not traditionally implemented projects directly, but rather has sought to provide technical, strategic and financial support to partners in their work to promote shared aims. As such, it is applying for risk Category C/I-3, where projects/programmes will be executed indirectly through executing entities.

### 3.2.2 **Section 6.2: Identification of risks and impacts**

41. The applicant has complemented its risk protocol with a new E&S risk assessment procedure involving the identification and categorization of E&S risks, which was approved by its board in June 2016. The new procedure classifies each risk according to its probability of occurrence and potential severity. The level of E&S risk is determined as either low, medium or high, and further complemented by a checklist indicating the associated mitigation measures to be undertaken and to be closely monitored. The new E&S risk assessment procedure is in line with the GCF interim ESS.

42. The E&S risk categorization decisions are, generally, firstly made by a staff member who identifies the risk and proposes an initial categorization based on their on-the-ground analysis and interpretation of the risk in the field. The ultimate conclusion regarding the categorization of risks is made with the participation of the applicant’s chief executive officer and validated by the corresponding committee of the board of directors which supervises the chief executive officer.

43. The applicant provided examples of projects which demonstrate that its projects generally support positive expected E&S outcomes consistent with its application for risk Category C/I-3 (i.e. execution indirectly through executing entities). The applicant has indicated that it does not yet have examples of the implementation of its new E&S risk categorization procedure since it will be implemented during the latter half of 2016. An internal training

session to be conducted later in 2016 is also planned in order to communicate the new E&S risk assessment procedure to staff.

### 3.2.3 **Section 6.3: Management programme**

44. Until now, the applicant's existing risk protocol has not explicitly distinguished between different types of E&S risk through an E&S risk assessment process. However, the examples provided attest to the applicant's capacity to effectively identify, analyse and manage risks which may negatively affect the successful implementation of projects with positive intended E&S outcomes. Going forward, the complementary E&S risk and impact identification procedure proposed in section 3.2.2 above would serve to further strengthen the applicant's existing risk identification and management measures in ways that are consistent with the GCF interim ESS. The applicant has indicated that it does not yet have examples of the application of the new procedure, which will be implemented during the latter half of 2016.

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

45. The applicant provided its organizational chart, which includes its risk management committee with responsibility for general monitoring of the applicant's existing risk system. For the purposes of climate change related projects and assessing E&S risks, the director of the climate change programme is invited to participate in the risk management committee, together with relevant sector staff as needed. The applicant provided data on risk management committee members indicating their competency and samples of their work.

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

46. The applicant's new E&S risk and impact assessment procedure approved by its board in June 2016 includes a description of the monitoring of E&S risks from the inception of the project design to the project evaluation phase. The applicant's monitoring and review of projects is led by its team based in the field who are in direct and often day-to-day contact with its local partners. This local presence and the strong relationships of trust built over years of collaboration with local partners allow it to capture learning and adjust approaches in real time, and ensure that there have been no changes in scope or unanticipated impacts/risks that require mitigation.

47. Ongoing evaluations of all risks are conducted on a monthly and quarterly basis, with results shared throughout the organization and reported to its board of directors. The applicant has not been able to provide examples of project monitoring based on the implementation of its new E&S risk impacts assessment system.

### 3.2.6 **Section 6.6: External communications**

48. The applicant's external communications system is comprised of several distinct digital platforms which are used both to receive communications from and to communicate proactively with external audiences regarding topics of institutional and programmatic interest. A description of the system, the location of the system and information regarding enquiries and complaints were presented in the applicant's supporting documents. The applicant indicated that it has no unresolved or problematic issues that have arisen. The applicant provided its new web page initiated in the first quarter of 2016 which ensures greater communication and

interaction with the external public via interactive surveys, dialogue, further integration of social networks and an interactive menu.

### 3.3 Gender

49. The applicant has included gender equality and women's empowerment as a cross-cutting theme across its programme portfolio, and the applicant also has various protocols and policies to guarantee non-discrimination and equal opportunities in its operations. The applicant has provided its stand-alone gender policy, which was approved by its board of directors in June 2016 and is currently being implemented. The applicant provided examples of its lending operations that specifically address both men and women among project/programme beneficiaries, and demonstrated its competency in gender mainstreaming. The examples also provide evidence to show that projects to which the applicant lends funds have non-discriminatory practices in terms of benefits and remuneration for both men and women employees. Examples of requirements related to gender and climate change were also provided.

## IV. Conclusions and recommendation

### 4.1 Conclusions

50. 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 partially meets the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. In this regard, the applicant needs to strengthen its public disclosure procedures and provide evidence of the implementation of such procedures;
  - (b) The applicant meets the requirements of the interim ESS of the GCF 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 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 considerations in the context of climate change.

### 4.2 Recommendation on accreditation

51. The AP recommends, for consideration by the Board, applicant APL047 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** micro;

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- (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
- (iii) **Maximum 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:
1. Develop its public disclosure procedures on:
    - (a) Project implementation reports, including information on budget utilization;
    - (b) Project evaluation reports;
    - (c) Grant award policy; and
    - (d) Decisions on grant awards, including, for individual grants, information on:
      1. The name, address and nationality of the beneficiary;
      2. The purpose of such grants; and
      3. The grant amount awarded and, where applicable, the maximum co-financing rate of the cost; and
  2. Demonstrate the effectiveness of the above public disclosure procedures, provide evidence of the publication of the grant award policy, one grant award decision taken, one project implementation report and one project evaluation report.
52. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 51 above, and agrees to the recommendation.

## Annex XI: Accreditation assessment of Applicant 048 (APL048)

### I. Introduction

1. Applicant 048 (APL048), Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), is an international entity, specifically a subsidiary of Agence Française de Développement (AFD) with its own legal personality, with a distinct mission to support sustainable development through financing the private sector in an effort to bring about economic and social development in developing countries. Its climate-related projects and programmes are focused on promoting climate change mitigation in the areas of renewable energy, energy efficiency, sustainable transport, water and sanitation, agroforestry and forestry. The applicant also provides technical assistance to its national partners in developing countries, which include national commercial banks, by assisting them to develop their climate strategies and climate finance project portfolios.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 13 July 2015. The Stage I institutional assessment and completeness check was completed on 10 February 2016 and the Stage II (Step 1) accreditation review has been concluded with the publication of this assessment. The applicant 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 (DG DEVCO) (part-way through Stage II; previously under the normal track);
- (c) **Maximum 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) **Maximum environmental and social risk category:** high risk (Category A/Intermediation 1 (I-1)).<sup>3</sup>

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<sup>1</sup> As per annex I to decision B.08/02 (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 USD 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,

## II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track process.

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licenses to operate, if any and relevant, as a part of the application. The applicant has a legal personality separate from AFD, and was first registered as a public limited company by the Paris Commercial Court Registry in 1977.

### 2.2 Institutional presence and relevant networks

5. The applicant is a well-established subsidiary of AFD that is devoted to private sector development. It has built strong partnerships with national and regional companies and financial institutions, which include commercial banks in the 73 African, Asian and Latin American countries where it finances and implements projects. In line with the AFD group strategy, the applicant's strategic priorities are: African countries, for which it targets 50 per cent of its overall activity; low-income countries, including the least developed countries and fragile states, with a target of 25 per cent of its activity; and climate change.

6. Implementation of the applicant's climate change strategy is demonstrated through its climate-resilient portfolio of projects, which seek to assist developing countries in making a shift to low-emission development in sectors such as renewable energy, including hydropower, solar, geothermal and wind energy, forestry, transport, agriculture, healthcare and education.

7. The applicant seeks to contribute to the objectives of the GCF by using its experience of managing climate finance and supporting the private sector in developing countries. This falls in line with the GCF objectives of promoting the participation of private sector actors in developing countries and catalysing climate finance from both public and private sources. Furthermore, the applicant intends to enhance country ownership by utilizing its green credit facilities to avail technical support to its national partners in developing countries, with the aim of building capacity and overcoming the financial and technical barriers to scaling up investment, thereby allowing its partners to take full advantage of climate finance opportunities.

### 2.3 Track record

8. The applicant's portfolio as of 30 June 2016 amounted to EUR 4.5 billion (excluding activities under Fonds d'Investissement et de Soutien aux Entreprises en Afrique (FISEA)) and total commitments for 2015 amounted to EUR 1.1 billion. The applicant acts as a catalyst, attracting and mobilizing additional public and private sector funding for its clients' climate-

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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".

resilient projects. It does so by leveraging its network of partnerships with various organizations. Climate finance is offered to its national and regional clientele in developing countries in the form of loans, equity and guarantees. The applicant allocated EUR 2 billion to climate-related operations projects between 2005 and 2014, with 31 per cent being provided to national financial institutions.

9. The scope of activities undertaken by the applicant in the regions where it operates include:

- (a) USD 69 million out of a total project cost of USD 335 million for the wind farms Parque Eolico Marcona and Parque Eolico Tres Hermanas in Peru;
- (b) USD 18.9 million for a geothermal project in Nicaragua;
- (c) USD 54 million and 38.5 million for wind farms to generate renewable energy in Kenya and Uruguay, respectively;
- (d) USD 50 million loan for renewable energy to a development bank in Sri Lanka; and
- (e) USD 20 million and USD 25 million senior loans for a solar park in Chile.

### III. Stage II accreditation review assessment

10. The applicant originally applied under the normal track and became eligible part-way through Stage II for the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Accreditation Panel (AP) against the standards of the GCF starting as a normal track application, then later in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/29 (the last decision expanded the list of potentially eligible fast-track entities to include the applicant).

11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

12. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

13. As per paragraph 10 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.

14. Regarding item 4.2.5, the applicant's AML/CFT policy is that of the AFD group, which requires assessments to be conducted at the project appraisal stage and the monitoring of which is embedded throughout the project life cycle. The policy establishes the principles and actions taken to combat corruption, fraud, money laundering and terrorism financing. It also

includes due diligence procedures on the quality of the counterparty, its relevant shareholding structure and the nature of the project.

15. The applicant's AML/CFT policy is found to be in full compliance with the GCF Interim Policy on Prohibited Practices and evidence of the applicant having implemented its policy is supported by 'know your customer' due diligence reports.

16. The applicant has policies and mechanisms in place to undertake the monitoring of the electronic money transfers, and has provided corresponding copies of the transfer monitoring reports as evidence.

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

17. The applicant's corporate procedures manual and operational procedures manual form the basis of its operational and administrative functions. The application includes a well-structured overarching description of each component of the operational procedures, reference documents, templates and tools that underpin its project management activities.

18. Moreover, the applicant provided detailed documentary evidence of the key components associated with its project management operations. The key components include the identification, appraisal, decision-making, financing and monitoring of projects; this confirms the prevalence of a well-structured project management process.

19. Project management processes have both discrete and overlapping elements which ensure that the entire process is an integrated one where key performance indicators developed during project appraisal are included and monitored as part of the project assessment methodology. The applicant's appraisal process includes a socioeconomic due diligence (including governance) and provides for a second opinion (quality check), which is provided by its risk department.

20. A risk assessment is undertaken for all of the applicant's counterparties. This is completed prior to handing over a project file to the project monitoring department at the time of first disbursement of funds for a project. The risk assessment forms part of the applicant's risk management process and the risk management function is called on for input as and when required. The Risk Committee confirms the risk assessment and the head of risk management reports directly to the Chief Executive Officer to ensure functional independence.

21. Where required, discrete procedures and processes are provided for in the management of the applicant's lending, equity and guarantee operations throughout the project life cycle.

22. Ex ante evaluations are conducted as part of the applicant's monitoring process; however, these reports are not published. The applicant instead provides information on the project and impacts on a project-by-project basis on its website via a map that contains a link to the projects within its portfolio. Public disclosure due to confidentiality provisions associated with the applicant's operations is in line with the nature of its private sector operations.

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

23. As per paragraph 10 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.

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

24. The applicant's procedures for its on-lending and blending operations are embedded in its corporate and operational procedures as described in section 3.1.3 on project management above. Moreover, the applicant has demonstrated a track record in project/programmes of the size for which it is seeking accreditation. With regard to the range of financial instruments (loans, equity and guarantees) for which it is seeking accreditation, the applicant has not demonstrated a track record in respect of guarantees. However, the applicant has advised that it has recent guarantee transactions in support of track record and this information will be submitted for consideration as soon as it can be made available by the applicant. The applicant has demonstrated a track record in blended finance activities with multilateral and other bilateral institutions (loans and equity). This includes the use of grants for technical assistance for projects that have already qualified for the applicant's investment and where the applicant will, in principle, co-finance up to 50 per cent of the grant amount.

25. To be noted is the applicant's management of an investment fund, FISEA, which targets sectors/countries in Africa that are traditionally overlooked owing to their specific complexities. Although the fund size is limited, the performance of the fund's investments has been mixed. An external evaluation of the fund's performance was called for in 2015, and recommendations for enhancing its operational performance were included in the report resulting from the external evaluation. It is expected that the fund will be fully invested in the near future and no further replenishments are expected. However, the lessons learned from the applicant's experience with FISEA should be incorporated into similarly structured projects/programmes where the GCF is concerned, and risks apportioned accordingly.

26. Regarding disclosure of information, the applicant has, as recently as 2015, added two new tools in order to enhance the transparency of its operations where the public can access PROPARCO strategic and operational information. Moreover it proposes, by the end of 2016, to provide access to its information through the AFD platform. The applicant is encouraged to keep the GCF informed on its progress in this regard.

27. The applicant provided evidence of well-developed investment and portfolio management policies. Examples of their implementation, including asset liability management, the applicant's strategy and internal control framework, were included.

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

28. The applicant has developed and implemented a comprehensive corporate-level strategy for 2014–2019, which includes an environmental and social (E&S) policy framework addressing economic, sustainability, environmental and social principles, as well as thematic and sectoral E&S standards. As a part of this policy framework, the applicant has an E&S operational procedure which includes project-specific E&S assessment procedures, methodological guides, checklists, risk assessment tools and action plans that the applicant uses in its operations. The procedures also require the executing entities overseen by the applicant to carry out stakeholder consultations, including a grievance mechanism to allow the project-affected communities to raise any complaints. The E&S policy framework is endorsed by the

applicant's management and is fully consistent with the interim environmental and social safeguards (ESS) standards of the GCF. The E&S policy framework is communicated to all levels of the applicant and also made publicly available through the applicant's website.

### 3.2.2 **Section 6.2: Identification of risks and impacts**

29. The applicant's identification of E&S risk and impacts management procedure contains the principles and provisions for assessing, managing and monitoring E&S risks of its operations, including projects they directly finance and financial intermediation of projects. The procedure is supported by the corresponding methodological guide and tool for E&S risk classification. The E&S risk categorization system, as regulated by the procedural framework and applied by the applicant at the organizational level, is fully consistent with the interim ESS standards of the GCF. Each project that is categorized as having an equivalent of the GCF high (Category A/I-1) or medium (Category B/Intermediation 2 (I-2)<sup>4</sup>) E&S risks and impacts level is required to undergo a comprehensive E&S impact assessment study.

30. The entity presented several examples of development projects of high and medium E&S risks and impacts levels that are screened and categorized against the E&S risk criteria using the risk assessment tools. The applicant has also provided a list of illustrative projects over the past three years, including how they were categorized.

### 3.2.3 **Section 6.3: Management programme**

31. The applicant's ESS are managed through the clearly established procedures and assignment of roles provided in its operational procedures manual and investment code. The applicant conducts a project appraisal, due diligence and risk mitigation strategy process, as well as monitoring progress and compliance based on the applicant's ESS standards. The applicant has a clear organizational structure with respect to E&S management with an E&S team dedicated to identifying E&S risks and developing mitigation measures during project appraisal and implementation. The applicant has provided several sample project monitoring reports as well as a report prepared over a number of years by a reputable rating agency attesting to the effectiveness and improvement of the ESS monitoring process.

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

32. The applicant provided information on its organizational structure, which has demonstrated a strong capacity based on the experience and competence of staff members working in the division supporting project E&S assessment and evaluation. The designated technical specialists are responsible for identifying E&S risks and impacts at all stages of the project cycle, confirming a project's E&S categorization and reviewing relevant safeguard reports. Moreover, the applicant has developed and implemented training programmes on its

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<sup>4</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".

E&S policy and methodological framework for new staff. It has also started a web-based training session for staff in its country offices, and plans to run this training on a regular basis.

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

33. The applicant maintains monitoring and review procedures for ESS at both the individual project level and the portfolio level. The monitoring plan is developed on the basis of the E&S impact assessment for each individual project/programme. Monitoring includes tracking the progress of the implementation of mitigation measures and achievements. Monitoring reports from executing entities are recorded and the applicant's project managers perform quality assurance reviews of the reports. Supervision of the projects is undertaken by the E&S division specialists, who assess the implementation of E&S mitigation measures. The applicant, in cooperation with executing entities, also performs ex post evaluations aimed at measuring the effectiveness of the risk mitigation measures.

34. The applicant has provided several samples of external audit reports and its annual performance review report endorsed by its management and submitted to its board.

### 3.2.6 **Section 6.6: External communications**

35. The applicant has external communication channels to share, receive and register external communications from the public. The applicant has provided examples of projects where external stakeholder communications were received and addressed; however, these communications were not related to E&S matters. The applicant provided a note approved by its board in December 2015 which proposed instituting an independent system for processing E&S-related complaints addressed to it. However, the implementation of this independent system has been delayed slightly and is expected to be launched at the beginning of 2017. The applicant expects that the system would also be integrated into the applicant's revised E&S procedures manual before the end of 2016.

36. The applicant indicated that for the time being and in particular owing to its national banking law constraints, it does not disclose/consult on its full ESS assessment documents. However, E&S categorization and a summary of the main impacts of each project are made available on the applicant's website subject to prior consent of its clients regarding all other information to be disclosed on the project (due to national banking law constraints referred to above). Nevertheless, the applicant is committed to comply with the GCF Information Disclosure Policy for the applicant's projects financed by the GCF.

## 3.3 Gender

37. The applicant's gender policy is in the form of its strategic document comprising its 2014–2017 road map, which outlines the applicant's commitment to gender equality and equity, and the need to allocate resources to both climate change mitigation and adaptation activities. The applicant's gender policy is in line with the GCF gender policy.

38. Moreover, it has developed an ongoing training programme on gender-related issues for its staff members. The applicant has a number of specialists with gender-related competencies and experience.

39. Evidence of the gender policy implementation was supported by a number of illustrative examples in the areas of climate change, renewable energy, microfinance and livelihood improvement, which show that projects to which the entity lends have non-discriminatory practices in terms of benefits and remuneration for both men and women employees. The applicant has provided supporting evidence on its experience in undertaking gender initiatives for gender equality and women's empowerment. The applicant also provided gender-specific indicators used in its operations.

## IV. Conclusions and recommendation

### 4.1 Conclusions

40. Following its assessment and noting that the applicant has applied under the fast-track accreditation part-way through the 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 and equity. However, the applicant has only partially demonstrated its track record to financing guarantee operations;
- (b) The applicant partially meets the requirements of the interim ESS standards of the GCF in relation to the high E&S risk (Category A/I-1). The applicant has not yet adopted a system for processing E&S-related complaints; and
- (c) The applicant has demonstrated that it has the required 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.

### 4.2 Recommendation on accreditation

41. The AP recommends, for consideration by the Board, the applicant APL048 for accreditation as follows:

- (a) **Accreditation type:**

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- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>5</sup> small<sup>6</sup> and medium<sup>7</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) **Maximum environmental and social risk category:** high risk (Category A/I-1) (including lower risk (Category B/I-2 and Category C/Intermediation 3<sup>8</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:
1. Formally adopt an external communication mechanism which provides a system to receive, document and respond to questions or complaints from the general public; and
- (ii) Condition(s) prior to the submission of a funding proposal to the GCF that includes a guarantee operation:
1. Provide two examples to fully demonstrate the applicant's capacity and ability to undertake a guarantee operation of a project/programme that is of the large size category and high E&S risk (Category A/I-1) it is seeking accreditation for.
42. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 41 above, and agrees to the recommendation.

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<sup>5</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 USD 10 million for an individual project or an activity within a programme".

<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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme".

<sup>7</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 USD 50 million and up to and including USD 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 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".

### 4.3 Remarks

43. The applicant is encouraged to inform the GCF on its progress to enhance project information (monitoring and evaluation) disclosure via the AFD platform.

44. Should the applicant's engagement with the GCF include funds/structures with a similar risk profile to those of FISEA, the lessons learned from its FISEA fund should be considered for their relevance in addressing risks and their allocation between the parties concerned.

## Annex XII: Accreditation assessment of Applicant 049 (APL049)

### I. Introduction

1. Applicant 049 (APL049), the World Wildlife Fund, Inc. (WWF), is an international non-governmental organization. The work of WWF has evolved from saving species and landscapes to addressing the larger global environmental threats and forces that impact them, with people at the centre of its work, and organized around six priority areas for improved environmental management comprising climate, forests, food, freshwater, wildlife and oceans.

2. The applicant submitted its application for accreditation to the Secretariat via the Online Accreditation System on 30 July 2015. The Stage I institutional assessment and completeness check was completed on 20 July 2016 and was progressed to Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant 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) **Maximum 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
- (e) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant is eligible for, and applied under, the fast-track accreditation process as a GEF project agency. Its application has been assessed by the Secretariat during Stage I in

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<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 USD 50 million and up to and including USD 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”.

accordance with the requirements and gaps identified in decisions B.08/03, B.10/06 and B.12/30.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documentation on its establishment and licences to operate, if any and relevant, as a part of the application. The applicant, the network office of which is in the United States of America (WWF US), has indicated that it has been accredited to the GEF and has signed a memorandum of understanding to conclude the GEF accreditation process. The applicant's offices are federated under a global non-profit network.

## 2.2 Institutional presence and relevant networks

5. The applicant has a network of 60 offices and operations in Africa, Asia, Eastern Europe and Latin America, including the least developed countries and small island developing States. The applicant mobilizes its global network to set up partnerships in the private sector, national and local governments, local communities, and other civil society organizations in order to develop the innovative solutions for the conservation of nature.

6. The applicant seeks to contribute to the objectives of the GCF by leveraging its experience of managing projects in the energy, forestry, water, agriculture and wildlife conservation sectors. It seeks to facilitate developing countries' access to climate finance by supporting them in the sound implementation of their climate change policies, programmes and projects. Specifically, with respect to mitigation, the applicant intends to undertake activities that reduce emissions through increased low-emission energy access and through sustainable forest management and conservation, and the enhancement of forest carbon stocks. Regarding adaptation, the applicant intends to enhance the livelihoods of the most vulnerable communities by improving the resilience of ecosystems and ecosystem service. Furthermore, the applicant intends to strengthen country ownership by assisting subnational and national entities to meet the requirements of the GCF by using its own accreditation experience, training and capacity-building.

## 2.3 Track record

7. The applicant mobilizes financial resources for its climate change projects and programmes by leveraging its partnerships with other non-governmental organizations, private sector entities and international organizations. The applicant intends to continue cooperating with public and private sector organizations in order to achieve adaptation and mitigation of climate change impacts through the implementation of nature conservation activities.

8. The applicant undertakes climate-resilient sustainable development by mainstreaming climate change mitigation and adaptation in all the sectors that it operates in. The applicant has a track record in financing sustainable development and climate change related projects in the sectors of energy, forestry and water.

9. The climate change related projects of WWF to date include the following, which fall within the GCF medium size category:

- (a) USD 138 million (grant) for the Central African regional programme for the environment in Gabon and the Central African Republic;
- (b) USD 91 million (grant) for the Integrated transboundary ridges-to-reef management of the Meso-American reef project in Belize, Guatemala, Honduras and Mexico; and
- (c) USD 51 million (grant) for the From REDD-plus to agreements to REDD-plus results project.

### III. Stage II accreditation review assessment

10. 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, B.10/06, B.12/30 and B.14/09.

11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

12. As per paragraph 10 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

13. As per paragraph 10 above, the basic fiduciary standards concerning transparency and accountability, with the exception of item 4.2.5 (anti-money laundering and countering the financing of terrorism policies), have been met by way of fast-track accreditation.

14. Regarding item 4.2.5, the applicant has comprehensive anti-money laundering and countering the financing of terrorism policies and procedures which include detailed 'know-your-customer' due diligence procedures designed to ensure that the organizations with which it has business relationships are not involved in money laundering or the financing of terrorism. The core of the applicant's know-your-customer due diligence process is the use of LexisNexis Bridger Insight, a specialized software platform that enables the applicant to consolidate compliance processes, standardize controls and increase the efficiency of its know-your-customer processes. Specifically, through the use of Bridger Insight, the applicant:

- (a) Searches and monitors global sanctions, and regulatory and law enforcement watch lists. The system scans names in real time, ad hoc or in bulk, against the most up-to-date watch lists available. The applicant has added many watch lists to its Bridger Insight

licence, including the European Union consolidated list of sanctions,<sup>4</sup> the consolidated United Nations Security Council sanctions list,<sup>5</sup> the Office of Foreign Assets Control,<sup>6</sup> the terrorist exclusion list (United States Patriot Act of 2001),<sup>7</sup> and Her Majesty's Treasury sanctions list;<sup>8</sup> and

- (b) Scans names through Bridger Insight prior to entering into an agreement with the grantee, as well as prior to making each payment as part of the accounts payable process.

15. As part of its system for combating money laundering and the financing of terrorism, the applicant also monitors electronic transfer of funds by collaboration with its banking partners (Western Union and JPMorgan Chase & Co.) to ensure that they follow:

- (a) The United States Federal Reserve banking regulations to process and deliver each payment; and
- (b) The applicant's strict instructions on delivering payments and ensuring that the payments are made to bona fide beneficiaries.

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

16. As per paragraph 10 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track accreditation.

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

17. The applicant has a clearly defined grant award system that includes defined roles and responsibilities of management and staff charged with the responsibility for the evaluation and approval of grant applications. The grant award system and calls for proposals are publicized on the applicant's website, local office websites, LISTSERVs, e-newsletters, social media channels, at conferences and in various languages in order to ensure that the broadest possible number of potential recipients is aware of the grant opportunities as well as specific requirements and processes followed in the selection of grantees. Sample grant award notices/calls for proposals provided are comprehensive and include the criteria for exclusion, eligibility and selection, and grant awards.

18. Based on the information and supporting documentation provided, the AP concluded that:

- (a) The composition of the team responsible for the evaluation of grant applications ensures both competence and independence to undertake evaluation and recommend grant awards;
- (b) Grant evaluation and award decisions comply with the applicant's grant award policies and procedures; and

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<sup>4</sup> <[https://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions\\_en](https://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions_en)>.

<sup>5</sup> <<https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>>.

<sup>6</sup> <<https://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>>.

<sup>7</sup> <<http://www.state.gov/j/ct/rls/other/des/123086.htm>>.

<sup>8</sup> <<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>>.

- (c) Grant award decisions are taken by the persons with the requisite authority.
- 19. The applicant also demonstrated that it has adequate checks/procedures in place for:
  - (d) Ensuring that one activity only results in the awarding of one grant to any one beneficiary;
  - (e) Ensuring that no grant is awarded retrospectively for activities already started or completed at the time of the application; and
  - (f) The suspension, reduction or termination of the grant in the event of the beneficiary failing to comply with its obligations.

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

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

## 3.2 Environmental and social safeguards

### 3.2.1 Section 6.1: Policy

21. The applicant generally implements Category B and Category C projects/programmes. As a federated entity, its network focuses on food, forests, freshwater, oceans and wildlife issues, with the aim of influencing climate finance towards conservation goals, while also benefiting resource-dependent communities.

22. The applicant's environment and social (E&S) policy elements were first adopted in 1996 and were updated in 2008, 2013 and 2015 as a part of its accreditation application process to become a GEF project agency. The applicant stated that it then became the first non-governmental organization to meet GEF environmental and social standards (ESS).

23. The 2015 E&S policy, available on the applicant's website, is a living document to be revised at least once every five years to reflect evolving best practices. In combination with the applicant's network policies, it complies with the GCF interim ESS. The applicant's decentralized model ensures adherence to country laws and country obligations under international law.

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

24. Once a project identification form is approved, the applicant's Safeguards Coordinator, with other expert input as needed, screens and categorizes projects in terms of E&S risks. The screening results identify the management plans that are needed (e.g. a resettlement action plan). A Senior Director approves the categorization memorandum.

25. The final project proposal is reviewed against the requirements of the applicant's ESS and the network policies. The technical and financial capacity of the project team is also assessed. An ESS compliance memorandum is then generated. The applicant provided project categorizations and project compliance memorandums to show its track record under GEF requirements.

26. Even though the types of projects implemented by the applicant rarely have impacts under performance standards 2 to 4 of the GCF interim ESS, the applicant recently updated its screening procedure to explicitly screen for potential impacts under performance standards 2 to 4.

### 3.2.3 **Section 6.3: Management programme**

27. The impact assessment process integrates baseline data standards and the analysis of alternatives, cumulative impacts and associated facilities, and the use of a mitigation hierarchy. The 2015 ESS document provides the institutional guidance to develop the environmental and social management plans (ESMPs). The Safeguards Coordinator reviews all ESMPs, with final approval being given by the Safeguards Compliance Officer. All mitigation plans are integrated into the project design, reporting, monitoring and evaluation framework.

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

28. The applicant has demonstrated the required organizational capacity and competency for ESS implementation and compliance, functions assigned to senior staff in the organization. The Vice-President of Policy and Government Affairs, who is also the E&S Compliance Officer, is responsible for the oversight of safeguard compliance and is assisted by the Senior Director of the public sector support department (who is also the E&S Complaints Officer) and the Senior Safeguards Coordinator. The curricula vitae of the above officers show that they have the necessary experience and competency which will ensure that safeguard compliance is carried out in accordance with the institution's policy.

29. The Safeguards Coordinator and the Safeguards Compliance Officer approve key ESS documents (e.g. environmental and social impact assessments and ESMPs) and are responsible for ESS monitoring. The Safeguards Coordinator coordinates inputs from other E&S-related experts, such as the gender expert or conservation expert and also develops ESS training materials and trains project teams and executing entities. A list of participants in ESS training events was provided.

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

30. The project teams manage the day-to-day ESMP implementation, including submitting quarterly progress reports. In conjunction with the Safeguards Compliance Officer, the Safeguards Coordinator supervises implementation, reviews project reports and engages with the project teams as needed to ensure adaptive safeguards management. The E&S progress monitoring is reported to senior management every six months. The Safeguards Coordinator or an external consultant will conduct an annual site visit/due diligence, the results of which will also be reported to senior management. The applicant provided adequate examples of reporting against the safeguards' mitigation measures that were triggered and reports on external and internal lessons learned covering E&S implementation in order to demonstrate its continuous learning character.

### 3.2.6 **Section 6.6: External communications**

31. The ESS document covers requirements related to consultation, disclosure and grievances, applicable to itself and to its executing agencies. The applicant's screening tool also checks whether a project's external communications are adequate.

32. The project team must conduct meaningful consultations on E&S aspects with relevant stakeholders for its Category B projects. Draft and final Category B project documents are adequately disclosed in the affected communities, and on the applicant's and executing entity's websites for a minimum of 30 days before finalizing the project design.

33. The applicant's accountability and grievance mechanism, shared with stakeholders at the project design phase, can receive and respond to stakeholder enquiries and concerns. Complaints are submitted to the project team, who will respond to grievances within 15 calendar days. Failing the resolution of a complaint, the grievant can file a claim through the applicant's Complaints Officer by e-mail or post. Some safeguards, when triggered (e.g. the safeguard protecting indigenous peoples), may have additional requirements related to grievance mechanisms. The applicant provided a log of inquiries and complaints for January 2012 to February 2016. Only one complaint, which proved invalid, was received during this period.

### 3.3 Gender

34. The Network gender policy (2011) was integrated into the applicant's ESS (2015). The applicant has committed to expanding gender knowledge, mainstreaming gender perspectives into all projects, providing equal employment opportunities, and assessing how policies affect gender equity and men and women's access to and control over natural resources. The applicant has in-house gender expertise and also procedures to incorporate gender perspectives into project development (e.g., the screening check list assesses whether gender was sufficiently included in a project proposal). It applies gender analysis during project design, implementation, monitoring and evaluation. The applicant provided examples of projects with a gender and climate change focus, including projects promoting gender-sensitive leadership and benefit-sharing in natural resource management. The applicant received an award from the United States Agency for International Development for its approach to including men, women and children with disabilities in its activities.

## IV. Conclusions and recommendation

### 4.1 Conclusions

35. 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;
- (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 competencies, policies and procedures in order to implement its Gender policy, which is found to be consistent with the GCF Gender policy, and has demonstrated that it has experience with gender consideration in the context of climate change.

## 4.2 Recommendation on accreditation

36. The AP recommends, for consideration by the Board, applicant APL049 for accreditation as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>9</sup> and small<sup>10</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

(iii) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3<sup>11</sup>)); and

(b) **Conditions:** none.

37. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition(s), as identified in paragraph 36 above, and agrees to the recommendation.

## 4.3 Remarks

38. If the applicant builds its experience in implementing higher risk projects and programmes, the applicant may, in the future, seek accreditation against the high E&S risk (Category A/I-1).<sup>12</sup>

39. The 2015 ESS is a living document. The applicant has evolved quickly to develop and apply its ESS for its projects funded by the GEF, and, if accredited to the GCF, some evolution in the ESS may also be anticipated. Currently, there are small discrepancies between the ESS guidance, ESS training materials and actual practice (e.g. the procedure provided in the annex of the ESS for the complaints mechanism compared to that provided in the body of the ESS

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<sup>9</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 USD 10 million for an individual project or an activity within a programme”.

<sup>10</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 USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme”.

<sup>11</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”.

<sup>12</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”.

document vary slightly; the actual role of the safeguards review team varies slightly in practice from that outlined in the guidance; and reference to screening for impacts under performance standards 2 to 4 should now be integrated into the ESS text). Once these are harmonized, the routine updates, as already foreseen in the ESS, should be sufficient to keep abreast of best international practices. Accordingly, the applicant may wish, perhaps in the next six months, to harmonize its existing guidance, training materials and procedures, and inform the GCF if this has been carried out.

## Annex XIII: Accreditation assessment of upgrade application from Conservation International Foundation

### I. Introduction

1. The Conservation International Foundation (CI), is an international non-profit organization that operates internationally in over 30 countries across 6 continents with a wide range of partners in order to empower societies to responsibly and sustainably care for nature for the well-being of humanity. In developing countries, it partners with the host country government institutions, research or academic institutions, as well as indigenous peoples' organizations. With global private corporations, the applicant has developed a track record in improving the sustainability of business operations. Key activities include reducing deforestation, improving agricultural practices, protecting natural ecosystems to serve as carbon sinks, and developing standards for effective mitigation and adaptation activities.

2. The applicant was accredited by the Board of the GCF on 9 July 2015 in decision B.10/06, paragraph (a)(ix), for the following parameters, as recommended by the Accreditation Panel (AP), 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) **Maximum 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 and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (Category C/Intermediation 3 (I-3))<sup>3</sup>.

3. The applicant submitted its application for an accreditation upgrade of its maximum environmental and social (E&S) risk category to the Secretariat via the Online Accreditation System on 16 January 2016. The application for an upgrade in its accreditation type from minimal to no E&S risk Category C/I-3 to medium risk Category B/Intermediation 2 (I-2)<sup>4</sup>

<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 USD 50 million and up to and including USD 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 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".

<sup>4</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

follows the recommendation by the AP for the applicant to consider an E&S risk category upgrade application, as well as the applicant's interest in upgrading its accreditation in order to accommodate potential projects/programmes funded by the GCF that may include projects/programmes that are identified as Category B/I-2. The Stage I institutional assessment and completeness check was completed on 5 August 2016 and was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant 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 GEF;
- (c) **Maximum environmental and social risk category:** medium risk (Category B/Intermediation 2 (I-2)); and
- (d) **All other criteria for which the applicant was accredited:**<sup>5</sup> no change.

## II. Stage I institutional assessment and completeness check

4. The applicant is seeking an upgrade with regard to its E&S risk category. The applicant was assessed during Stage I against only the criteria for which the applicant was seeking an upgrade. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30 and B.14/09.

### 2.1 Legal status, registration, permits and licences

5. The applicant provided documents on its establishment and licences to operate, if any and where relevant, as part of the application. CI was established as a non-profit public benefit corporation. It was incorporated in the United States of America in 1987.

### 2.2 Institutional presence and relevant networks

6. The applicant operates in more than 30 countries worldwide with a wide range of partners with whom it has built strong relationships, including local communities, governments, academia, foundations, civil society organizations and the private sector, in an effort to deliver innovative nature-based solutions for climate change mitigation and adaptation. Through its partnerships, the applicant raises a substantial amount of resources that enables it to co-finance its projects and programmes.

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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>5</sup> For example, maximum size of an individual project or activity within a programme, and fiduciary functions.

7. The applicant is seeking to upgrade its accreditation type to allow it to scale up its activities on combating climate change by delivering more climate action on the ground, providing accessible and science-based tools for decision makers, mobilizing a network of major corporations, and ensuring the involvement of all stakeholders. It seeks to facilitate developing countries' access to climate finance by continuing to build local capacity through collaborations working with governments, civil society and the private sector at the national and subnational levels to deliver nature-based solutions to adapt to and mitigate the adverse effects of climate change.

## 2.3 Track record

8. The applicant undertakes climate-resilient sustainable development by mainstreaming climate change mitigation and adaptation in all the sectors in which it operates. The applicant focuses on nature-based solutions with respect to climate change mitigation and adaptation. In that regard, the applicant works in the areas of forestry, land use, agriculture, water, health, ecosystems and ecosystem services to improve and protect the livelihoods of communities. The applicant's track record in financing sustainable development and climate change related projects was provided by the applicant as evidence of its experience with Category B/I-2 projects and programmes, however, is unable to be shared due to confidentiality of the activities.

## III. Stage II accreditation review assessment

9. The applicant applied under the fast-track process, and was assessed against the standards of the GCF by the AP during Stage II (Step 1). The application review by the AP focused on the applicant's request to upgrade its E&S risk category from Category C/I-3 to Category B/I-2. Its application has been assessed against the standards of the GCF by the AP in accordance with the requirements and gaps identified in decisions B.08/03, B.10/06, B.12/30 and B.14/09.

10. As part of this assessment, the AP consulted the applicant's website and project-level websites set up by its executing entities.

## 3.1 Environmental and social safeguards

### 3.1.2 Section 6.1: Policy

11. The applicant has an overarching policy that covers E&S safeguards (ESS) for its conservation programmes and projects, based on a rights-based approach adopted in 2009. The approach consists of six policies that address gender, involuntary resettlement, protection of vulnerable populations, and indigenous peoples. This set of policies makes direct connections between human well-being and the environment by linking biodiversity conservation and human rights. The applicant has also developed and implemented a range of safeguard policies and standards for different portfolios/programmes, which are based on international E&S standards comparable to those of the GCF interim ESS. Projects to be funded by the GCF will

utilize an E&S management framework (ESMF) that was established in 2013 by the applicant for its projects funded by the GEF, utilizing the World Bank's safeguards framework.<sup>6</sup>

12. As a result of the applicant's accreditation to the GCF in decision B.10/06, the ESMF has been updated to conform with the GCF interim ESS requirements. The ESMF describes the division of labour between the applicant and its executing entities. Responsibility to ensure project conformance with the ESMF lies with the head of the division designated to manage projects funded by GEF and GCF (CI-GEF/GCF Project Agency).

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

13. The ESMF for GCF and GEF projects describes a process for identifying E&S risks and impacts that is consistent with the GCF interim ESS. The framework also identifies types of project activities that may result in adverse E&S impacts, and a screening tool and mechanism for projects to manage the impacts.

14. The applicant provided evidence of a track record in managing projects that fit into both the GCF E&S risk Category C/I-3 and Category B/I-2, and documentation showing its experience in identifying, assessing and handling various safeguards triggered by such projects.

### 3.1.4 Section 6.3: Management programme

15. The applicant provided evidence that it has a functioning mechanism to manage mitigation measures for E&S impacts or risks associated with its projects. This is apparent from projects in various portfolios using different donor requirements and standards. Specifically for GEF (and to be applied in future GCF) projects, the ESMF clearly describes the requirements from concept stage to project implementation and completion. The applicant has also submitted sample screening forms, E&S assessments and mitigation plans commensurate with the nature, scale and potential E&S risks and impacts of its projects.

16. Much of the applicant's projects are executed by host country entities in the countries where it operates, including local civil society organizations and government agencies. In order to ensure conformance with the GCF interim ESS, the applicant has developed a practice of capacity-building for its executing entities, which involves capacity self-assessment and review by the applicant's personnel, followed by relevant E&S training during the project preparation stage, and inception workshops. The applicant also prepares written guidelines to guide its executing entities to develop mitigation plans, and conducts field visits before and during project implementation.

### 3.1.5 Section 6.4: Organizational capacity and competency

17. The applicant's capacity and competency with respect to E&S matters has been developed through experience with other programmes and portfolios using various international E&S standards and policies. The division set up for GCF and GEF projects builds upon this experience. The division is headed by a vice-president, who reports directly to the chief operating officer of the applicant organization. Organizational charts for the overall

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<sup>6</sup> See the GEF policy on agency minimum standards on environmental and social safeguards., Available at <<http://www.thegef.org/council-meeting-documents/gef-policy-agency-minimum-standards-environmental-and-social-safeguards>>.

organization and division for GCF and GEF projects have been provided, as well as job descriptions describing responsibilities related to ESS implementation and oversight.

18. The applicant has personnel with strong technical backgrounds to ensure that ESMF requirements are properly implemented. The applicant provides technical support to its executing entities in its host countries by assigning the technical advisor and safeguards specialist from the respective division, as well as additional expert support from other units.

19. The applicant has conducted training programmes to ensure that both the rights-based approach and the ESMF are understood by staff in the headquarters and field offices. There are plans to disseminate ESS learning modules to executing entities in partner countries to allow them to build their capacity on a continuous basis.

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

20. The ESMF requires project ESS plans to be monitored and reported on a quarterly and annual basis, and third-party evaluation to be scheduled at project mid-point and completion. Samples of monitoring and evaluation reports were provided for this assessment, demonstrating the applicant's ability to conform with its ESS policies and procedures.

21. In addition, the applicant has recruited three regional compliance officers to report on project portfolio compliance and operational excellence. The compliance officers report to the office of the general counsel on a monthly and quarterly basis, and the reports are presented to the applicant's board of directors.

22. The applicant provided documentation demonstrating that it continues to learn from its experience in implementing ESS across programmes and portfolios. It has also demonstrated its ability to quickly adapt its procedures to the requirements of the GCF, following its recent accreditation.

#### 3.1.7 **Section 6.6: External communications**

23. The ESMF describes the internal procedures for the accountability and grievance mechanism, and assignment of the senior director for compliance and risk management to ensure appropriate follow-up and resolution. At an institutional level, the applicant has channels to receive and register complaints and queries, including an e-mail contact as well as an ethics hotline managed by a third-party safe harbour certified through the United States Department of Commerce. The applicant has provided a register of the ethics hotline for this assessment. The division managing GCF and GEF projects requires executing entities to provide information related to project-level grievances on project websites. The applicant has not received project-level grievances in the last three years.

24. The ESMF also describes disclosure of E&S documents which is consistent with that expected under the GCF interim ESS. The division managing GCF and GEF projects has a dedicated website that hosts ESS -related documents. With respect to the time frame for disclosure of information, the applicant is committed to adopting the timelines required by the GCF information disclosure policy.

## **IV. Conclusions and recommendation**

## 4.1 Conclusions

25. Following its assessment, the AP concludes the following in relation to the application:
- (a) The applicant meets the requirements of the interim ESS of the GCF in relation to medium E&S risk (Category B/I-2).

## 4.2 Recommendation on accreditation

26. The AP recommends, for consideration by the Board, Conservation International Foundation for an upgrade in its accreditation type as follows:
- (a) **Accreditation type:**
- (i) **Maximum environmental and social risk category:** medium risk (Category B/I-2) (including lower risk (Category C/I-3)) from low risk Category C/I-3; and
- (b) **Conditions:** none.
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.

## Annex XIV: Summary of recommendations

Table 7: Summary of recommended accreditation types and conditions

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
<b>APL043 FECO</b>	Direct access, national	Small	Basic fiduciary standards; and Specialized fiduciary standard for project management	Medium risk (Category B/I-2) <sup>3</sup>	None
<b>APL044 KDB</b>	Direct access, national	Medium	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)	Medium risk (Category B/I-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>Provide evidence that the applicant has further strengthened its competencies to implement its gender policy</li> </ol> <p><u>Additional condition(s): for every GCF funding proposal in which the applicant seeks to provide equity funds, the Secretariat shall ensure that the following conditions are met by the applicant:</u></p> <ol style="list-style-type: none"> <li>Disclosure of information regarding the equity exit strategy, including information regarding the intended purchasers of</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 (annex I to document GCF/B.08/45).

<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".

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
					<p>the equity participation upon the applicant's divestment; and</p> <p>2. The applicant shall be the equity investor of record in the proposed project; thus, equity investments through funds provided by third parties, such as the applicant's subsidiaries or private equity funds, shall not be accepted.</p>
<b>APL045 PT SMI</b>	Direct access, national	Small	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for on-lending and/or blending (for loans)	Medium risk (Category B/I-2)	<p><u>Condition(s) associated with the GCF fiduciary standards to be addressed prior to 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 a formal plan for mainstreaming the multilateral procurement framework into the applicant's operations, including plans for resourcing the function and making provision for an annual audit as a standard process and provide for lessons learned. This should include provision for disclosure of contract awards on the applicant's website;</li> <li>2. Further develop its grant management framework, ensuring the framework is mainstreamed into its overall operations. This includes further developing how the applicant intends to blend grants as part of both its direct and, in the future, its intermediated lending portfolio;</li> <li>3. Provide further evidence (in the form of two examples) of its compliance with its most recent AML/CFT policy in the context of its new mandate;</li> </ol>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
					<p>4. Provide for project disclosure on its website, including monitoring and evaluation of its projects;</p> <p>5. Provide the approved version of the risk management guidelines and procedures, including information on the segregation of duties;</p> <p>6. Provide two examples of reports from its management information system; and</p> <p>7. Provide an English version of the outcome of the recent regulation associated with government guarantees where relevant for the applicant's sustainability.</p> <p><u>Condition(s) associated with the GCF interim ESS and gender policy to be addressed prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <p>1. Demonstrate with one more example per procedural step, full application of the 2016 guidance including its 10 ESS, as well as the application of its gender policy (i.e. provide one screening exercise, one ESIA, one gap analysis, one corrective plan, one gender assessment, one project disclosure report, one monitoring report and one ESMP); and</p> <p>2. Provide proof of employment of an external expert acceptable to the GCF to prepare the ESIA and ESMP of the</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
					first project to be submitted to the GCF, in full compliance with its 2016 ESS guidelines.
<b>APL046 CABEI</b>	Direct access, regional	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) <sup>4</sup>	None
<b>APL047 Fundación Avina</b>	Direct access, regional	Micro	Basic fiduciary standards; Specialized fiduciary standard for project management; and Specialized fiduciary standard for grant award and/or funding allocation mechanisms	Minimal to no risk (Category C/I-3) <sup>5</sup>	<u>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u> 1. Develop its public disclosure procedures on: (a) Project implementation reports, including information on budget utilization; (b) Project evaluation reports;

<sup>4</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”.

<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”.

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
					<p>(c) Grant award policy; and</p> <p>(d) Decisions on grant awards, including, for individual grants, information on:</p> <ol style="list-style-type: none"> <li>1. The name, address and nationality of the beneficiary;</li> <li>2. The purpose of such grants; and</li> <li>3. The grant amount awarded and, where applicable, the maximum co-financing rate of the cost; and</li> </ol> <p>2. Demonstrate the effectiveness of the above public disclosure procedures, provide evidence of the publication of the grant award policy, one grant award decision taken, one project implementation report and one project evaluation report.</p>

Applicant number	Access modality	Accreditation type being recommended under the fit-for-purpose approach			Accreditation conditions
		Size <sup>1</sup>	Fiduciary functions <sup>2</sup>	Environmental and social risk category	
<b>APL048 PROPARCO</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>Condition(s) prior to the first disbursement by the GCF for an approved project/programme to be undertaken by the applicant:</u></p> <p>1. Formally adopt an external communication mechanism which provides a system to receive, document and respond to questions or complaints from the general public; and</p> <p><u>Condition(s) prior to the submission of a funding proposal to the GCF that includes a guarantee operation:</u></p> <p>1. Provide two examples to fully demonstrate the applicant's capacity and ability to undertake a guarantee operation of a project/programme that is of the large size category and high E&amp;S risk (Category A/I-1) it is seeking accreditation for.</p>
<b>APL049 WWF</b>	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/I-2)	None
<b>Conservation International Foundation (CI)</b>	International access	No change from decision B.10/06	No change from decision B.10/06	Medium risk (Category B/I-2)	None

## Annex XV: 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 (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 (annex V to document B.08/45), are eligible to apply under the fast-track accreditation process for the accreditation requirements of the GCF identified in the relevant paragraphs of the decision.

2. In decisions B.10/06, B.12/30 and B.14/09, 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, 9 March 2016, and 14 October 2016, respectively.

3. The entities presented below are entities that have been accredited by the AF and DG DEVCO since 14 October 2016. No new entities have been accredited by the GEF since this time; however, an update has been provided on the status of the signature of the memorandums of understanding for GEF agencies that have been approved to progress to Stage III of the GEF accreditation process by the GEF Accreditation Panel.

### II. Adaptation Fund

**Table 8: The Adaptation Fund – national implementing entities since 14 October 2016<sup>a</sup>**

Name	Acronym	Country
Environmental Project Implementation Unit of the Ministry of Nature Protection of Armenia	EPIU	Armenia

<sup>a</sup> The list of the national accredited entities of the Adaptation Fund is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity/>>. See also Adaptation Fund Board decision B.28-29/1, available at <[https://www.adaptation-fund.org/wp-content/uploads/2016/11/AFB-Decision-B-28\\_29\\_1\\_-Accreditation-of-EPIU\\_-Armenia.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/11/AFB-Decision-B-28_29_1_-Accreditation-of-EPIU_-Armenia.pdf)>.

### III. Directorate-General for International Development and Cooperation

**Table 9: Directorate-General for International Development and Cooperation – International Organizations that have undergone European Union institutional compliance assessments (pillar assessments) since 14 October 2016<sup>a</sup>**

Name	Acronym
United Nations High Commissioner for Refugees	UNHCR

<sup>a</sup> The list of International Organizations that have undergone European Union institutional compliance assessments (pillar assessments) was provided, following a request by the Secretariat, by the Directorate-General for International Development and Cooperation on 9 November 2016.

4. The international organizations listed in the above table have been confirmed either by DG DEVCO to the Secretariat or via evidence provided by the organizations regarding their successful assessment against DG DEVCO pillar assessments, meet the requirements of the relevant European Union legislation and are authorized to carry out European Union budget implementation tasks without conditions concerning their institutional compliance.

#### **IV. Global Environment Facility**

5. Since 14 October 2016, 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, the Foreign Economic Cooperation Office – China, 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 the signing of formal agreements, including the memorandum of understanding and the financial procedures agreement between the GEF and the entity). This approval is as per the GEF progress report on the pilot accreditation of GEF project agencies and was noted by the GEF Council at its forty-eighth meeting.<sup>1</sup>

7. Entities must complete Stage III of the GEF accreditation procedure in order to become a fully accredited agencies under the GEF.

8. At the time of publication of this document and based on information available on the GEF website, of the four entities, two entities (Fundo Brasileiro para a Biodiversidade and Foreign Economic Cooperation Office) have signed the memorandums of understanding and financial procedures agreement in Stage III of the GEF accreditation process.

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<sup>1</sup> GEF document GEF/C.48/10/Rev.01 available at <<https://www.thegef.org/documents>>. *Joint summary of the Chairs, 48th GEF Council Meeting, 2–4 June 2015* available at <<https://www.thegef.org/documents>>.

## Annex XVI: Budget of the Independent Redress Mechanism of the Green Climate Fund for 2017

Independent Redress Mechanism Unit Budget 2017		
		2017 budget
<b>2.1</b>	<b>Salaries and consultants</b>	
2.1.1	Full-time staff	722,791
2.1.2	Consultancies	163,350
	<b>Sub-total: Salaries &amp; consultants</b>	<b>886,141</b>
<b>2.2</b>	<b>Travel</b>	
2.2.1	Travel	93,000
	<b>Sub-total: Travel</b>	<b>93,000</b>
<b>2.3</b>	<b>Professional services</b>	
2.3.1	Operating costs	20,000
	Software development costs	
	<b>Sub-total: Professional services</b>	<b>20,000</b>
	<b>Grand total (1+2+3)</b>	<b>999,141</b>

## Annex XVII: Budget of the Independent Integrity Unit budget of the Green Climate Fund for 2017

Independent Integrity Unit Budget 2017		
		2017 budget
<b>2.1</b>	<b>Salaries and consultants</b>	
2.1.1	Full-time staff	722,791
2.1.2	Consultancies	200,000
	<b>Sub-total: Salaries &amp; consultants</b>	<b>922,791</b>
<b>2.2</b>	<b>Travel</b>	
4.2.1	Travel	75,000
	<b>Sub-total: Travel</b>	<b>75,000</b>
<b>2.3</b>	<b>Professional services</b>	
2.3.1	Operating costs (including workshop) Software development costs	20,000
	<b>Sub-total: Professional services</b>	<b>20,000</b>
	<b>Grand total (1+2+3)</b>	<b>1,017,791</b>

## Annex XVIII: Administrative budget of the Green Climate Fund for 2017

Administrative Budget of the Fund for the year 2017			
		Approved budget 2016	Approved budget 2017
<b>1</b>	<b>Board</b>		
1.1	Board meetings	1,436,000	1,479,080
1.2	Co-Chair and Board representative travel	22,500	23,175
1.3	Board committees, panels and working groups	2,189,640	1,684,050
	<b>Sub-total: Board</b>	<b>3,648,140</b>	<b>3,186,305</b>
<b>3</b>	<b>Secretariat</b>		
3.1	<i>Salaries and consultants</i>		
	Full-time staff	15,711,457	24,143,451
	Consultancies	4,038,910	3,866,920
	Sub-total	19,750,367	28,010,371
3.2	<i>Travel</i>		
	Secretariat staff travel	1,569,500	1,569,500
	Secretariat staff travel - board meetings	260,000	267,800
	sub total -Travel	1,829,500	1,837,300
3.3	<i>Contractual services, general operating, information technology costs</i>		
	Office utility costs	300,000	300,000
	Contractual services	4,117,000	4,117,000
	Other Operating costs	475,000	475,000
	Communication and printing	315,000	315,000
	Information and communication technology	3,183,855	3,183,855
	Depreciation	850,000	850,000
	sub total	9,240,855	9,240,855
	<b>Sub-total: Secretariat</b>	<b>30,820,722</b>	<b>39,088,526</b>
<b>4</b>	<b>Interim trustees</b>	<b>875,800</b>	<b>1,126,240</b>
	<b>Grand total (1+2+3+4)</b>	<b>35,344,662</b>	<b>43,401,071</b>

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## **Annex XIX: Policy matters identified in the consideration of funding proposals at the fifteenth meeting of the Board**

During the discussions on the funding proposals at the fifteenth meeting of the Board, the following policy matters related to funding proposals were raised by Board members and noted by the Co-Chairs:

- The inclusion of capacity building support in the overall budgets/costs of GCF funding proposals, such as the provision of scholarships;
  - Dealing with requests for support for project preparation related activities under the Project Preparation Facility funding window rather being embedded in the cost of specific funding proposals;
  - Addressing issues relating to the details of the calculation of proposals costs;
  - Addressing GCF funded projects that may include any fossil-fuel-based investment, and the potential implication to developing countries from any Board decision in this regard;
  - Addressing climate and development elements as they relate to GCF funding approvals;
  - Concerns related to the terms of non-grant financing and justifications for providing soft loans to private sector entities;
  - Ensuring that concessional rates offered by the GCF projects are fully passed on to beneficiaries on the ground, including further information on GCF interest rates and interest rates passed to beneficiary from the accredited entity;
  - Clearer methodology to assess what defines a ‘cross-cutting project’, as opposed to a ‘mitigation’ or an ‘adaptation’ project;
  - Questions raised on ways of promoting renewable energy solutions in the presence of extensive fossil fuel subsidies;
  - Questions raised on the low share of co-financing in some projects and the absence of a clear definition of the level of co-financing that can be considered adequate; and
  - Need expressed for programmatic approaches to address the transition to low-emission development pathways.
-