



GREEN
CLIMATE
FUND

Report of the sixteenth meeting of the Board, 4 - 6 April 2017

GCF/B.16/24

12 June 2017

Meeting of the Board

4 - 6 April 2017

Songdo, Incheon, Republic of Korea

Agenda item 28

Table of Contents

Agenda item 1:	Opening of the meeting	1
Agenda item 2:	Adoption of the agenda and organization of work	1
Agenda item 3:	Adoption of the report of the fifteenth meeting of the Board	4
Agenda item 4:	Decisions proposed and approved between the fifteenth and sixteenth meetings of the Board	5
Agenda item 5:	Report on the activities of the Co-Chairs, including the outcomes of the Co-Chairs' consultations	5
Agenda item 6:	Report on the activities of the Secretariat	6
Agenda item 7:	Reports from committees, panels and groups	7
Agenda item 8:	Implementation of the initial strategic plan for the GCF	10
Agenda item 9:	Work programme of the Secretariat for 2017	13
Agenda item 10:	Matters related to guidance from the Conference of the Parties	16
Agenda item 11:	Readiness and preparatory support	18
Agenda item 12:	Status of the GCF portfolio - pipeline and approved projects	22
Agenda item 13:	Policy matters related to the approval of funding proposals	25
Agenda item 14:	Approval of funding proposals	26
Agenda item 15:	Private Sector Facility: potential approaches to mobilizing funding at scale	54
Agenda item 16:	Status of the staffing of the Secretariat	54
Agenda item 17:	Status of resources of the Initial Resource Mobilization period	57
Agenda item 18:	Competitive process for the selection of the Permanent Trustee	58
Agenda item 19:	Policies on the formal replenishment process	61
Agenda item 20:	Update on the GCF risk management framework	61
Agenda item 21:	Matters related to accreditation	61
Agenda item 22:	Performance criteria and measurement procedures for Board-appointed officials	62
Agenda item 23:	Interim work plan and interim budget of the Independent Evaluation Unit	62
Agenda item 24:	Updated terms of reference for the Independent Redress Mechanism	64
Agenda item 25:	Administrative matters	67
Agenda item 26:	Dates and venues of the following meetings of the Board	69



Agenda item 27:	Other matters	70
Agenda item 28:	Report of the meeting	70
Agenda item 29:	Close of the meeting	70
Annex I:	List of conditions and recommendations	71
Annex II:	Terms of reference of the ad hoc Trustee Selection Committee	81
Annex III:	Budget for the Independent Evaluation Unit	82

Agenda item 1: Opening of the meeting

1. The Co-Chairs officially opened the sixteenth meeting of the Board (B.16) at 9 a.m. on Tuesday, 4 April 2017, in Songdo, Incheon, Republic of Korea.
2. Developing country Co-Chair, Mr. Ayman Shasly, thanked members of the Board (hereinafter referred to as Board members) and alternate members of the Board (hereinafter referred to as alternate members) for their trust and confidence in the new team of Co-Chairs. It was their intention to make 2017 a year of implementation.
3. Mr. Shasly welcomed the following new Board members: Ms. Diann Black-Layne, Ms. Silvia Charpentier, Mr. Agustín Daniel Mai, Mr. Larry McDonald and Mr. Evans Davie Njewa. He also welcomed the following new alternate members: Ms. Kristina Åkesson, Mr. Paul Oquist, Ms. Johanna Pietikäinen and Mr. Karma Tshering.
4. The Board was facing a full agenda and Mr. Shasly noted that the Co-Chairs sought support from Board members and alternate members in working well together and keeping to time. In this context, they requested that interventions be crisp and to the point. A meeting was scheduled with observers at 6 p.m., to which Board members, alternate Board members and others were invited.
5. Developed country Co-Chair, Mr. Ewen McDonald, echoed the welcome of his Co-Chair, and on behalf of the Board, expressed thanks to the Government of the Republic of Korea for hosting the meeting.
6. He welcomed the Executive Director, Mr. Howard Bamsey, a sentiment echoed by Board member, Mr. Omar El-Arini. During subsequent agenda items, Board members also expressed their welcome to the Executive Director and the new team of Co-Chairs, including the new developing country Co-Chair, Mr. Shasly.
7. In addition, Mr. McDonald thanked the Secretariat and staff member, Mr. Andrew Oh, who had managed the renovations to the Boardroom. He acknowledged the long-standing support of Ms. Carolina Fuentes as the Secretary to the Board.
8. The Co-Chair highlighted that the Board had seen good progress in 2016 and a valuable discussion had been had during the Board's retreat on Monday, 3 April in Songdo. Making 2017 a year of implementation would create a strong focus and presented great opportunities.
9. Finally, Mr. E. McDonald outlined the schedule for the day.

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.16/01/Drf.02 titled "Provisional agenda".
11. They outlined the schedule for the day and invited the Board to adopt the provisional agenda.
12. A Board member requested the inclusion of an item concerning the Board's investment policy with respect to fossil fuels. They noted that the civil society organization (CSO) network had sent a letter to the Board signed by 200 members asking the Board to adopt a policy on fossil-free practice, in line with international standards. This matter had been raised at the fifteenth meeting of the Board (B.15). The Board member noted that without such a policy, there was a reputational risk to the GCF and they considered there was a need for consistency with all accredited entities (AEs) being asked to divest themselves of fossil fuel investments. Furthermore, this would enable the GCF to ensure the full implementation of the Paris

Agreement. Such a policy needed to be adopted before a Permanent Trustee could be selected. This policy must then be monitored and followed up by said Trustee.

13. The Co-Chairs confirmed that this could be raised under agenda item 27, "Other matters".
14. Another Board member proposed an agenda item covering the list of documents the Board had requested the Secretariat to prepare for subsequent meetings. There were a number of outstanding items from B.15 and such a standing agenda item would enable the Board to assess if items had been met. Said Board member expressed support for the provisional agenda.
15. The Co-Chairs confirmed that this would be added under agenda item 27.
16. A final Board member (Ms. Caroline Leclerc) informed that Board that she and her fellow Board co-champion of REDD-plus (Mr. Tosi Mpanu Mpanu) could update Board members under agenda item 27 if this would be useful.
17. The Co-Chairs confirmed this would be noted under agenda item 27.
18. There being no objections, the provisional agenda and organization of work was duly adopted as follows:
 1. Opening of the meeting
 2. Adoption of the agenda and organization of work
 3. Adoption of the report of the fifteenth meeting of the Board
 4. Decisions proposed and approved between the fifteenth and sixteenth meetings of the Board
 5. Report on the activities of the Co-Chairs, including the outcomes of the Co-Chairs' consultations
 6. Report on the activities of the Secretariat
 7. Reports from committees, panels and groups
 8. Implementation of the initial strategic plan for the GCF
 9. Work programme of the Secretariat for 2017
 10. Matters related to guidance from the Conference of the Parties
 - (a) Update on progress in addressing guidance from the Conference of the Parties
 - (b) Facilitating an increase in proposals from direct access entities
 11. Readiness and preparatory support
 - (a) Progress report on the Readiness and Preparatory Support Programme
 - (b) Terms of reference for the independent evaluation of the Readiness and Preparatory Support Programme
 - (c) Country ownership guidelines

12. Status of the GCF portfolio: Pipeline and approved projects
13. Policy matters related to the approval of funding proposals
 - (a) Status of the fulfilment of conditions on relevant approved projects
 - (b) Review of the initial proposal approval process
 - (c) Simplified approval process
 - (d) Policy matters arising from the consideration of funding proposals at the fifteenth meeting of the Board
14. Approval of funding proposals
15. Private Sector Facility: Potential approaches to mobilizing funding at scale
16. Status of the staffing of the Secretariat
17. Status of resources of the Initial Resource Mobilisation period
18. Competitive process for the selection of the Permanent Trustee
19. Policies on the formal replenishment process
20. Update on the GCF risk management framework
21. Matters related to accreditation
 - (a) Status of accreditation matters
 - (b) Update on matters related to accreditation framework and policy
 - (c) Accreditation master agreements
 - (d) Fiduciary compliance policies
 - (e) Performance review of the members of the Accreditation Panel
22. Performance criteria and measurement procedures for Board-appointed officials
23. Interim work plan and interim budget of the Independent Evaluation Unit
24. Updated terms of reference for the Independent Redress Mechanism
25. Administrative matters
 - (a) Report on the execution of the administrative budget of the GCF as at 31 December 2016 and the 2016 unaudited financial statement of the GCF
 - (b) Adjusted administrative budget for 2017
 - (c) Updates on the revised administrative guidelines

26. Dates and venues of the following meetings of the Board
27. Other matters
28. Report of the meeting
29. Close of the meeting

19. On the final day of the Board meeting, the Board held a further discussion on this item. Following an outline of the schedule for the third day of the meeting, some Board members objected to the rearrangement of the sequence of items which departed from the organization of work adopted on the first day. The Co-Chairs, supported by a Board member, requested the indulgence of the Board to give them freedom to manage the order of items as they felt was appropriate in the interests of efficiency in prioritizing those items requiring decisions. In particular, one Board member objected to moving agenda item 27 further up the agenda and requested that this be moved back to its normal place. The Board member who had requested that GCF investment policy be considered under agenda item 27 objected to this proposal, stating that they had raised this at two previous Board meetings but the matter had not yet been considered. Another Board member stated that agenda items for their constituency were not on the agenda and with only three Board meetings scheduled for 2017 this was a serious concern owing to the lack of clarity on major policy matters. A final Board member highlighted the importance of sticking to the allotted time for agenda items.

20. The Co-Chairs stated that they would return to the agenda and organization of work as adopted on the first day of the meeting.

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

21. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.15/25 and Add.01 (limited distribution) titled "Report of the fifteenth meeting of the Board, 13–15 December 2016". The addendum was issued to Board members on a limited distribution basis as a draft addendum to the main report in respect of the closed sessions that took place during B.15. It contained Board proceedings on agenda item 19, "Accreditation master agreements", and agenda item 22, "Options for operationalization of the Administrative Tribunal".

22. A Board member asked if the limited distribution document would be posted on the protected area of the GCF website.

23. Secondly, they noted that, while they had no objection to the report, it had been issued too late with the limited distribution addendum only issued on Monday, 3 April. They stated that previous requests had been made to ensure the issuance of the report was not delayed by more than two weeks. At that time, the Secretariat had advised that four weeks would be more feasible. They requested that the Board take a decision that the report be issued after no more than three weeks following the meeting.

24. The Co-Chairs noted that they had discussed this matter to find the best way forward, bearing in mind the workload of the Secretariat, to produce a good quality report in three weeks. They proposed to record said Board member's request without requiring a formal Board decision.

25. Said Board member reminded the Board that they had discussed the Readiness and Preparatory Support programme at B.15 without a decision being reached. The early record of

such discussions was therefore very important. They asked for clarification on the factors delaying the distribution of the report. They reiterated that they wished to see this matter adopted as a decision by the end of meeting. If that was not feasible then they noted that three weeks should be sufficient.

26. The Co-Chairs stated that some organizations did indeed issue reports at the end of meetings and that three weeks may be an appropriate timescale but would consult further with the Secretariat and come back to the Board.

27. There being no further comments, the Board took note of the report of the fifteenth meeting of the Board as circulated to the Board (document GCF/B.15/25 and Add.01 (limited distribution)).

Agenda item 4: Decisions proposed and approved between the fifteenth and sixteenth meetings of the Board

28. The Co-Chairs opened the agenda item and introduced document GCF/B.16/Inf.02 and Add.01 titled “Decisions taken between the fifteenth and sixteenth meetings of the Board”.

29. As at 24 March 2017, two decisions had been taken:

- (a) The accreditation of observer organizations;¹ and
- (b) The Board’s work plan for 2017.²

30. The Co-Chairs noted that there were some levels of anxiety related to the deferral of agenda items to later meetings. They accepted that it was their responsibility to manage the workload of the Board and the Secretariat. In considering the deferral of agenda items, several matters were considered:

- (a) The Secretariat’s capacity to deliver;
- (b) The avoidance of a policy gap and the urgency and need for Board action; and
- (c) The availability of experience and information to undertake policy reviews.

31. There being no comments, the Board took note of document GCF/B.16/Inf.02 and Add.01.

Agenda item 5: Report on the activities of the Co-Chairs, including the outcomes of the Co-Chairs’ consultations

32. The Co-Chairs opened the agenda item and introduced document GCF/B.16/02, titled “Report on the activities of the Co-Chairs”, outlining the activities undertaken by the Co-Chairs since B.15.

33. There being no comments, the Board took note of the report detailed in document GCF/B.16/02.

¹ Decision B.BM-2017/01.

² Decision B.BM-2017/02.

Agenda item 6: Report on the activities of the Secretariat

34. The Co-Chairs opened the agenda item and introduced document GCF/B.16/Inf.03 titled “Report on the activities of the Secretariat”.

35. They invited the Executive Director to take the floor.

36. Mr. Bamsey noted that if the Board approved the 2017 work programme for the Secretariat (agenda item 9), then future reports from the Secretariat would take account of activities in the work programme. Mr. Bamsey also suggested that the Board may wish to consider bringing several Secretariat reports together which would serve to streamline the process and make them more accessible to Board members. These could include, for example, the reports on readiness, the Project Preparation Facility (PPF), accreditation master agreements (AMAs) and the project pipeline. This suggestion was supported by several Board members.

37. A number of Board members commended the Secretariat on the concise report on its activities, clearly highlighting achievements since the last meeting. However, one Board member noted a certain amount of duplication. Another Board member congratulated the Secretariat for their hard work in delivering on their mandates and on improvements to delivery of documents ahead of the Board meeting. They also strongly supported the continued empowerment of the Secretariat. The increase in demand for PPF support from 4 to 13 PPF requests was seen as a positive sign by another Board member, along with an increase in the number of concept notes for enhanced direct access. They also raised a specific question on the reference in the report to a training manual on gender and climate change. What was its purpose and target group?

38. The Co-Chairs invited the Executive Director to respond. Mr. Bamsey stated that this had been developed in collaboration with the United Nations Entity for Gender Equality and the Empowerment of Women. It was an extensive guide on how to deal with gender matters and was about to be published.

39. A Board member raised a question about the lack of information on the results of staff missions. They recommended a standing section in the report so Board members could see clearly what had been achieved, especially given that more than USD 1.8 million was approved in the administrative budget for travel.

40. Secondly, they noted a lack of financial information in the report around readiness and the PPF. At B.15, the Secretariat had requested USD 100 million for the Readiness and Preparatory Support Programme. The Board had approved USD 50 million. Prior to that they had approved USD 40 million for the PPF which also came under the Secretariat’s mandate. In the report’s section on the pipeline for readiness support, the number of requests for national adaptation plans (NAPs) and support for national designated authorities (NDAs) was perhaps more than USD 100 million. There was no mention in the GCF financial statement concerning the disbursement of these funds and it was not clear if any auditing had taken place. The Board had not received any reporting on how much had been disbursed. In order to access such information, it was necessary to ask staff in the Secretariat’s readiness team, how much had been disbursed, on what activities and what would be the return from that investment.

41. The Co-Chairs thanked Board members for their comments. Regarding the proposal to streamline reports they would discuss this further with the Secretariat. On the question of the need to demonstrate results from staff expenditure on missions, this would also be followed up with the Secretariat and could be built into the outcomes of broader work being undertaken.

42. There being no further comments, the Board took note of document GCF/B.16/Inf.03.

Agenda item 7: Reports from committees, panels and groups

43. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/Inf.04 and Add.01 and Add.02 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund”. They informed the Board that the document and its addenda contained the reports on the activities of the following committees and panels of the Board, covering the reporting period of November 2016 to February 2017:

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

44. The Co-Chairs invited the chairs of the committees, panels and groups to comment on their work during the reporting period.

Ethics and Audit Committee

45. The chair of the Ethics and Audit Committee (EAC) presented the report of the Committee. During the reporting period, the EAC had considered the first quarterly report of the Independent Redress Mechanism, reviewed the consultative document on the revised terms of reference (TOR) for the Independent Redress Mechanism and considered a draft policy on ethics and conflicts of interest for active observers, in addition to considering a request for waiver by an alternate member to apply for a position in the Secretariat. In the period after B.16, the work of the EAC is scheduled to include the preparation of a document on ethics and conflicts of interest for active observers for the Board’s consideration at its next meeting, and the provision of feedback to the Head of the Independent Integrity Unit on prohibited practices, anti-money laundering and countering the financing of terrorism.

46. A Board member said that policies on prohibited practices, anti-money laundering and countering the financing of terrorism were crucial for the effective operation of the GCF and urged the chair of the EAC to develop those policies as a matter of urgency.

47. A Board member, speaking in their capacity as a member of the EAC, noted that on three occasions during the reporting period, the EAC had been unable to reach consensus on requests for waivers for employment at the GCF Secretariat. Given the difficulty in attracting staff with the required talent and experience for critical positions in the Secretariat and the willingness and qualifications of certain Board members or alternate members to fill such positions, as well as the evolution in circumstances since the adoption of the original waiver policy at the ninth meeting of the Board, the member called for a discussion on the circumstances that would enable the committee to grant a waiver of the policy adopted in decision B.09/03 on the eligibility of covered individuals and immediate family members for employment by the Secretariat. The same Board member also expressed concern over conflicts of interest, noting that the conflicts of interest policy contained in decision B.09/03 applied to Board members and alternate members only during their term of service on the Board. Noting the original strict stance of the GCF on conflicts of interest during its initial phase of establishment, and highlighting that certain covered individuals had joined organizations directly related to the

work of the GCF shortly after their term had finished, and that staff members from AEs who had been actively involved in the preparation of GCF funding proposals had been recruited by the Secretariat, the Board member questioned whether such practices were acceptable.

Risk Management Committee

48. The acting chair of the Risk Management Committee (RMC) requested the prompt appointment of additional members to the committee in order to enhance the diversity of the committee and facilitate decision-making on a number of critical upcoming issues. The acting chair presented the report of the RMC and highlighted that the two most pressing tasks for the RMC over the following six months would be its work on an updated set of risk policies and guidelines for submission to the seventeenth meeting of the Board (B.17) and the risk management framework and policies for submission at the eighteenth meeting of the Board (B.18).

Investment Committee

49. The chair of the Investment Committee (IC) thanked the Secretariat for its support and presented the report on the work of the IC, in particular its work on indicative minimum benchmarks in line with decision B.09/05. The main challenges on this issue had been a scarcity of available and comparable data on indicators relating to 'paradigm potential' (i.e. the potential of projects to achieve paradigm shift) and the projected difficulty in assessing projects against the wide range of planned criteria in cases where countries met certain investment criteria and not others. The IC had therefore decided to take a stepwise approach, starting with a small and simple yet meaningful set of benchmarks, which would be expanded at a later stage, so that the benchmarking tool could be used as soon as possible rather than only when fully complete. The IC would continue its work and submit a proposal on a pilot set of indicative minimum benchmarks to the Board at B.18.

50. Board members commended the IC on its work on indicative minimum benchmarks and acknowledged the importance and complexity of such a task and its crucial need to improve the quality of funding proposals submitted to the GCF. Two Board members noted that while the work on indicative minimum benchmarks would not serve as a 'silver bullet', it represented an important step towards improving the quality of funding proposals and defining the profile of the GCF. Another Board member underlined the need for continued development of the benchmarking system following its introduction. Two Board members underlined the need to move on from the GCF initial investment framework when developing the benchmarks, and drew attention to the need for a set eligibility criteria against which funding proposals could be accurately assessed.

Private Sector Advisory Group

51. A Co-Chair of the Private Sector Advisory Group (PSAG) provided an overview of the work of the group during the reporting period, which had focused, in particular, on mobilizing private sector resources at scale. The group was due to meet prior to B.17 to consider strategies for overcoming barriers to private investment, among other issues, and in the interim, would also continue to contribute on an ad hoc basis to the private sector outreach work of the Secretariat. The Co-Chair highlighted that the PSAG was not a committee but an advisory group and that its expertise was drawn not from Board members but from private sector representatives on the ground.

52. Board members expressed support for the work of the PSAG and said that they looked forward to seeing the results of its work. They also welcomed the appointment of the new director of the Private Sector Facility, who was well-qualified for the job and brought additional

energy to the task of engaging with the private sector. One Board member asked if and when the Board would have access to the results of the upcoming survey on barriers to private sector investment. Another Board member urged the PSAG to appoint a representative from the least developed countries (LDCs)/small island developing States (SIDS) if had not already done so.

53. A Board member recalled decision B.06/06 which stated the intention of the GCF to channel significant resources through the private sector and noted that while this was being achieved in the case of international financial institutions, not enough was being done to develop local capacity and involve private sector entities from developing countries. The member urged greater efforts to achieve paradigm shift by moving away from conventional climate finance models, in particular, by establishing special measures to encourage private sector entities in developing countries to apply for accreditation.

Budget Committee

54. The chair of the Budget Committee said that all four of the items addressed by the Budget Committee during the reporting period featured on the agenda of the current meeting, namely: staffing, the administrative budget, the work programme and adjusted administrative budget of the Secretariat and the update on the review of the Human resources guidelines. The chair expressed gratitude to the staff of the Secretariat in supporting the work of the Committee.

Concluding comments

55. The Co-Chairs thanked the chairs of the committees, panels and groups for their reports and confirmed that comments from Board members had been noted. They requested the EAC to discuss the circumstances that would permit a waiver of the policy on the eligibility of covered individuals and immediate family members for employment by the Secretariat, and invited the Board to take note of document GCF/B.16/Inf.04 and Add.01 and Add.02.

56. The Board duly took note of document GCF/B.16/Inf.04 and Add.01 and Add.02.

57. Under agenda item 12, "Status of the GCF portfolio: Pipeline and approved projects", Board members identified a matter relating to committees, panels and groups which required further discussion, namely: in view of the difficulty faced by certain committees in reaching quorum for meetings, a number of Board members proposed the introduction of a rule allowing members of Board committees, panels and groups to appoint a deputy to attend meetings on their behalf in the event that the member was unable to attend.

58. The Co-Chairs proposed that consultations should be held on that issue between B.16 and B.17, taking into account the upcoming review of those committees as mandated in decision B.05/13 and that a proposal on the matter should be submitted to the Board at B.17.

59. A Board member wished to know whether any potential overhaul of terms of reference would apply to all committees, panels and groups, and if so, whether the outcome would have any impact on the Rules of Procedure of the Board. The Board member also noted that such a task could constitute a heavy workload for the Secretariat and would need to be incorporated into its work programme for 2017.

60. The Co-Chairs took note of the comments and confirmed that any potential workload implications would be considered during the upcoming consultations.

Agenda item 8: Implementation of the initial strategic plan for the GCF

61. The Co-Chairs opened the item and introduced document GCF/B.16/04 and Add.01 (general distribution) and Add.02-04 (limited distribution) titled “Implementation of the initial strategic plan of the GCF: annual report”.
62. They explained that the document provided an update on the progress made in the implementation of the initial strategic plan of the GCF. The reporting period was from the twelfth meeting of the Board (B.12), held from 8 to 10 March 2016, to 28 February 2017.
63. They informed the Board that they also had before them, four addenda with respect to country programmes and entity work programmes which had been transmitted to the Board, including one public addendum that provided an update on country programmes and entity work programmes and three limited distribution addenda that contained programme briefs submitted by countries, direct access entities and international access entities.
64. They invited a representative of the Secretariat to take the floor.
65. A representative of the Secretariat informed the Board that the document provided an update on actions taken by the Board and Secretariat to implement the initial strategic plan adopted at B.12.³ They also proposed for the Board’s consideration that in future such updates should be provided on an annual basis.

General comments

66. Many Board members welcomed the report with one member noting that the issues reflected in it were crucial to the lives of peoples living in developing countries. One Board member recalled that the strategic plan had been developed in record time by a small committee under the chairmanship of Board member, Mr. Karsten Sach. They noted with pleasure that several of the elements captured in the plan were already being implemented and reported on. Mr. Sach noted the plan was very close to his heart and confirmed that the information provided in the update document accurately reflected the status of implementation of the plan. However, it was now time to make the plan even more operational. He suggested that references to the strategic plan should also be made in other documents prepared by the Secretariat.
67. Many views were expressed concerning the proposal to provide an annual update, and separately on the question of the proposal to take note of the report.

Frequency of reporting

68. On frequency, several Board members supported the proposal to update it annually as it would reduce the burden on the Secretariat and reduce duplication. Another group of Board members were of the view that it was extremely important, if the GCF was to be taken seriously, for there to be meeting-by-meeting updates on elements of the initial strategic plan, such as country programmes and entity work programmes. One Board member noted that since the last Board meeting there had been an increase in the number of such programmes from several governments, including the Government of Zambia, along with those from AEs, including bilateral entities. Another Board member said that while the report highlighted some progress, as this was the first meeting of the year, the Board should agree on priorities. For example, more attention should be given to country ownership as well as items which had been regularly deferred such as the review of the initial project approval process, guidelines for the simplified

³ Annex I to decision B.12/20.

project approval process, REDD-plus, and the selection of a Permanent Trustee. Echoing this view, another Board member mentioned the need for continued progress on matters such as readiness support, accreditation process, particularly of direct access entities (DAEs) along with PPF and private sector engagement. They stated that the LDC constituency and other developing countries were working on NAPs and could not wait 12 months for an update from the Secretariat on progress on such priorities. Those supporting an annual update of the strategic plan pointed out the importance of avoiding duplication. Priority items such as those mentioned were dealt with by allocating these to Board meeting agendas and it would not be efficient in addition to have update reports on each priority item at each Board meeting.

69. A representative of the Secretariat stated that they would be guided by the Board on whatever frequency it decided both in terms of strategic plan updates and reporting on country and entity work programmes.

Board decision

70. On the question of “taking note” of the report, several Board members stated that this was not a satisfactory approach. A Board member suggested that the Board needed to at least welcome the country and entity work programmes submitted, as well as thinking through what actions it should take on receipt of country work programmes. “Taking note” was insufficient and did not do justice to the costs in time, money and staff of the organizations submitting such documents to the GCF. It would discourage organizations from partnering with the GCF if their intentions, as expressed in such programmes, were not taken seriously by the Board. Said Board member also reminded Board members that in 2018 the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) would be taking stock of progress made on the implementation of the Paris Agreement to inform the preparation of nationally determined contributions (NDCs). Furthermore, the GCF would soon be approaching its first replenishment and they wondered on what basis discussions would take place. If they were based on country needs these could only be found in government documents, and subsequently through work programmes of AEs. Information on work programmes from AEs would also provide information to the Board in order to help it to provide direction to the kind of entities to accredit. Furthermore, this would also influence Secretariat staffing, the number and length of Board meetings as well as other matters.

71. A representative of the Secretariat informed the Board that in terms of next steps, the Secretariat teams were working with countries and entities to discuss their needs for readiness and project preparation support. The Secretariat was then helping them to realize their priorities using GCF funding avenues.

72. Following further discussion on this point, Board members converged on the need to do more than “take note”. They also converged on reporting annually on the implementation of the strategic plan but more frequent updates on elements in the strategic plan, for example work programmes and country programmes. One Board member requested that the Secretariat consolidate all work programmes so that they became part of the GCF business planning.

Other comments

73. A Board member congratulated the Government of Zambia for being the first country to submit a country programme. Said Board member suggested highlighting two areas when preparing the next report on country/entity work programmes: (1) the involvement of the private sector in country programmes and (2) the involvement of NDAs in the engagement of entity programmes. They also wished to know what would be the next steps once country and entity work programmes had been submitted. A representative of the Secretariat explained that

they would consider country priorities, taking account of the various funding avenues available to the Secretariat.

74. Another Board member suggested that the Secretariat present more information on the lessons learned from the countries and entities when preparing their country and entity work programmes, and provide a more comprehensive analysis on the current state of play in a country's strategies and priorities.

75. A Board member noted that reporting on the gender elements had been very useful, and that more information would be useful on the actual gender indicators and the engagement of women in consultation processes.

76. They also expressed the hope that a more proactive and strategic approach to programming would have a positive impact on work programmes and country-driven pipelines.

77. A CSO active observer welcomed the focus on gender in the report on the strategic plan. They noted, in particular, the integration of gender-related activities in readiness and preparatory support activities and resources dedicated to the NDAs for multi-stakeholder engagements, including the involvement of women-led organizations and representatives of indigenous peoples' organizations in consultations. They wished to see more transparency on the kind of activities that are taking place in terms of NDA outreach to CSOs, women's and indigenous peoples' groups, as well as the dedicated support provided. They requested that such details were published as part of detailing individual countries' readiness activities.

78. The CSO active observer also requested that CSOs be included in structured dialogue sessions, which should be conducted not only on a regional level, but also a sub-regional level, if possible.

79. Furthermore, they requested that, to increase transparency, participation and accountability, all country programmes and entity work programmes be made publicly available.

80. Finally, they asked that templates for country programmes ask for more details in respect of stakeholder consultation. While acknowledging the inclusion of the Zambian country programme in document GCF/B.16/04/Add.01, they noted that the information presented on the stakeholders consulted reflected a very narrow approach and did not mention any consultations with civil society and local community stakeholders; in the absence of more available information, civil society regarded this as highly concerning and not in line with guidance given by the Board.

81. A private sector organization (PSO) active observer welcomed progress in several areas where they and the PSAG had regularly expressed concerns. The resumption of PSAG meetings was also extremely positive. The observer supported the recognition within the country programming exercise of the need to enhance private sector involvement in planning and project development. They noted that some NDAs themselves were expressing the need for greater engagement with private sector actors, recognizing their own limitations in this regard in terms of expertise or networks. The incorporation of private sector consideration into national planning at the earliest possible stage was extremely important and should contribute significantly to broadening and strengthening potential GCF project pipelines.

82. They also noted the ongoing work of the Secretariat and the PSAG on, for example, a private sector outreach plan, which was long overdue and greatly needed.

83. The Co-Chairs noted consensus on providing an annual report on the implementation of the strategic plan, except for those items which needed to be reported on at each meeting. They proposed to suspend the item for consultations before coming back with a revised decision text.

84. This proposal was supported by Board members.

85. The agenda item was not reopened.
86. The Board took note of document GCF/B.16/04 and Add.01 (general distribution) and Add.02-04 (limited distribution).

Agenda item 9: Work programme of the Secretariat for 2017

87. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/21/Rev.01 titled “Work programme of the Secretariat for 2017 and adjusted administrative budget”. They informed the Board that the adjusted administrative budget would be dealt with under agenda sub-item 25(b), “Administrative matters: adjusted administrative budget for 2017”.
88. The Executive Director introduced the document, which set out how Board decisions were implemented in relation to the corresponding budget provisions and the results framework. Noting that the document was the first of its kind, Mr. Bamsey invited the Board to offer feedback on how future versions could be improved.
89. A representative of the Secretariat gave an overview of the work programme, including the key priorities of the Secretariat, intended outcomes by end of the year and budgetary implications.
90. The Co-Chairs opened the floor for comments.

General comments

91. Board members commended the Secretariat on the work programme, which was a concise, well-structured and highly informative document that demonstrated the positive trajectory of the Secretariat’s work and was the result of broad cooperation between Secretariat divisions. A Board member noted that despite the excellent quality of the document, genuine praise would only be due once it had been implemented. Various Board members acknowledged the challenges faced by the Secretariat and the need for the Board to empower the Secretariat to move forward with its work in a proactive manner. Such an approach would require support, trust and strategic guidance from the Board, including in the form of Board decisions.
92. Board members made positive observations on various aspects of the work programme, including the following:
 - (a) The move towards results-based budgeting;
 - (b) Successful and ongoing recruitment to key Secretariat positions;
 - (c) The priority given to project implementation, in particular, the signing of AMAs and funded activity agreements (FAAs);
 - (d) The focus on accountability and transparency; and
 - (e) The proposals to improve the quality of funding proposals by working upstream at the concept note stage, establishing higher standards for the submission of projects to the Board and improving the efficiency of the proposal approval process.

Requests and queries

93. While welcoming the ambitious disbursement targets contained in the document, a Board member asked if they were realistic. The Board member also welcomed the Secretariat’s efforts to assist DAEs in engaging with the GCF, while advocating a pragmatic approach based on adequate groundwork to ensure that hasty progress did not result in suboptimal outcomes.

94. A Board member asked the Secretariat to consider the definition of ‘scale’ in its key performance indicators, underlining that in the context of small countries, microfinance projects could be delivered at scale. The Board member also requested the inclusion in the work programme of an evaluation of the accreditation process and project approval cycle, and asked for an update on the status and planning of requests for proposals and the enhanced direct access pilot programme.

95. A Board member encouraged the Secretariat to continue its momentum on recruitment. Two Board members asked the Secretariat to reflect on the implications of country ownership in the context of the Private Sector Facility (PSF) and underlined the high number of staff required to liaise with the long list of accredited entities.

96. Two Board members suggested that the Secretariat draw lessons from other organizations; one recalled the request contained in decision B.13/11 for the Secretariat to work in partnership with other bodies, including UNFCCC constituted bodies, and requested the Secretariat undertake work on that issue and report to the Board on progress made at B.17. Another Board member asked the Secretariat to be proactive regarding the various policy gaps facing the Board. They also asked that the Secretariat work proactively with the AEs to ensure that they submitted the type of funding proposals which the Board was seeking.

97. A Board member requested that the work programme be issued on an annual basis. Another Board member said that the results framework was a useful tool and asked if it could be sent to Board members in a ‘dashboard’ format. A further Board member requested that the work programme be used as a basis for the restructuring of the Secretariat and asked that the proposed new Secretariat structure be available for consideration by the Board at B.17.

98. A Board member requested clarification on how disbursements were calculated.

99. Two Board members wished to know whether the Board would take note of the work programme or formally adopt it, while another suggested that the formal adoption of such a detailed document would be excessively time-consuming.

100. A Board member said that the potential establishment of GCF regional country satellite offices should not be included in the work programme at the current early stage. Noting the need to build capacity within the Secretariat, the Board member objected to its continued heavy reliance on consultants despite repeated assurances to the Board that the total budget for consultant fees would decrease as Secretariat staff numbers increased. They also asked whether the Country Programming Division (CPD) had sufficient human and financial resources to deal with its workload, specifically in view of its plan to hold 40 structured dialogues during the following eight months. The same Board member also underlined the need to establish the official position of General Counsel in the new structure to replace the existing de facto position.

101. Another Board member encouraged the Secretariat to act swiftly to conclude as many AMAs as possible before the following meeting. A Board member asked the Secretariat to replace the phrase “finalize as many accreditation master agreements (AMAs), funded activity agreements (FAAs), projects and required agreements as soon as possible” in paragraph 8(a) of document GCF/B.16/21/Rev.01 with specific and realistic target figures. They also asked how the conclusion of those legal agreements would be prioritized, noting the need to ensure that projects approved in the early stages of project approvals were not neglected.

102. A PSO active observer called on the Secretariat to prioritize the recruitment of staff to the PSF, which remained understaffed. The observer also set out three strategic priorities for the Secretariat:

- (a) Finalizing AMAs, especially with private sector entities, to mitigate its reputational risk;
- (b) Engaging in outreach to the private sector; and

- (c) Working towards issuing further requests for proposals (RFPs), in particular, those geared towards programmatic approaches.

Response from the Secretariat

103. The Executive Director thanked Board members for their encouragement and guidance. Mr. Bamsey said that the expected disbursement figures were optimistic, yet designed to be as realistic as possible, and were based on the determined approach of the staff of the Secretariat. He also confirmed that the new structure and staffing of the Secretariat would be aligned with the work programme and clarified that the 40 “country dialogues” mentioned in the document were national workshops and represented a much smaller workload than the structured dialogues, of which six would be held in 2017.

104. A representative of the Secretariat said that work was being carried out to encourage the submission of concept notes from DAEs; to date, 13 concept notes had been received from DAEs and more were expected. They agreed on the need to foster partnerships and welcomed the suggestion to issue the results framework in a ‘dashboard’ format, which would be useful for reporting purposes. Regarding the calculation of disbursements, this had been done by the Secretariat’s divisions looking at each AE and FAA. An operations task team had been created to make progress towards the signing of FAAs, and reported on a weekly basis to the senior management team; since the creation of the operations task team, the number of FAAs had increased from one to six. The Secretariat would be happy to provide further information on the breakdown of projected AMA and FAA conclusions. The Secretariat welcomed comments made by the Board on the need to empower and provide guidance to the Secretariat.

105. A CSO active observer noted the need to achieve a 50 per cent balance between mitigation and adaptation projects and requested the inclusion in the work programme of a target to address the ongoing imbalance.

106. The Co-Chairs took note of the comments from Board members and active observers. They reminded Board members that the Governing Instrument for the GCF required the Board to approve the work programme. To that end they proposed to consult with the Board members and to review with the Executive Director and Secretariat staff how the comments made by Board members could be incorporated into a revised version of the work programme.

107. The agenda item was suspended.

108. The Co-Chairs reopened the item on the third day of the meeting, noting that the revised draft decision proposed for adoption took into account the concerns of Board members regarding the approval of the work programme.

109. The Board took note of document GCF/B.16/21/Rev.01.

110. The Board adopted the following decision:

DECISION B.16/01

The Board, having considered document GCF/B.16/21/Rev.01 titled “Work programme of the Secretariat for 2017 and adjusted administrative budget”:

- (a) Recognizes that the work programme of the Secretariat for 2017 will help to guide the activities and structure of the Secretariat;
- (b) Approves the priorities set out in the work programme of the Secretariat for 2017, in accordance with paragraph 23(e) of the Governing Instrument for the GCF;

- (c) *Requests the Secretariat to provide a detailed and updated work plan for the Readiness and Preparatory Support Programme and to report on the progress made in its implementation at each Board meeting for the Board's information; and*
- (d) *Approves the adjusted administrative budget for the period of 1 January to 31 December 2017, making the total approved administrative budget for fiscal year 2017 USD 46,784,071, recognizing that this increase is on an exceptional basis and does not establish a new standard budget level for items, including contractual services.*

Agenda item 10: Matters related to guidance from the Conference of the Parties

(a) Update on progress in addressing guidance from the Conference of the Parties

111. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.16/Inf.15 entitled "Update on progress in addressing guidance from the twenty-second session of the Conference of the Parties".
112. The document provided an update on progress made in responding to guidance received from the COP at its twenty-second session, in particular, UNFCCC decision 10/CP.22, as well as other relevant UNFCCC decisions.
113. The documentation, which should be read in conjunction with the work plan of the Board, provided an update on:
- (a) REDD-plus;
 - (b) The Initial Resource Mobilization process;
 - (c) Direct access entities and the GCF pipeline;
 - (d) The delivery of resources;
 - (e) Privileges and immunities;
 - (f) Gender;
 - (g) The replenishment process;
 - (h) Technology matters; and
 - (i) Capacity building.
114. The Co-Chairs invited the Board to take note of the information contained in document GCF/B.16/Inf.15. There being no comments, the document was duly noted.

(b) Facilitating an increase in proposals from direct access entities

115. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.16/Inf.08 titled "Facilitating an increase in proposals from direct access entities".
116. A representative of the Secretariat gave a presentation summarizing the context and diagnosis of the current situation, the challenges that had been identified and the actions being taken by the Secretariat with the existing tools of entity work programmes, the Readiness and Preparatory Support Programme, the Project Preparation Facility and the Enhancing direct access pilot programme.

117. Several Board members expressed support for the proposals contained in the document, particularly emphasizing the need for South–South cooperation and capacity-building initiatives. They underlined that efforts to help DAEs formed part of the core mandate and unique value of the GCF. Given that one objective of the work of the GCF was to create a positive impact reaching far beyond the scope of GCF initiatives, the GCF should endeavour to act as a catalyst for future country-owned climate action independent of its remit.

118. Many Board members expressed concern at the slow progress achieved on increasing the number of funding proposals submitted by DAEs; various members highlighted the need to fill policy gaps, promote leadership, build capacity and solve structural problems within the Secretariat. In order to promote efficiency and consistency, a Board member called on the Secretariat to enable each stakeholder to liaise regularly with one specific contact person at the Secretariat.

119. Two Board members expressed strong concern over the results set out in the document in terms of DAEs, which were lagging far behind the desired targets; failure to achieve more positive results could constitute a reputational risk to the GCF. One Board member stated that during the twenty-second session of the COP, Parties to the UNFCCC had provided clear guidance to the GCF on DAEs and the Board would be held to account by the COP regarding the achievement of concrete results. Moreover, the measures currently proposed to remedy the lack of proposals from DAEs were insufficient. Noting that that no accreditation proposals had been submitted to the Board at its current meeting, said Board member called on the Secretariat to substantially increase the number of accreditation and funding proposals from DAEs submitted at the following meeting and to prioritize and accelerate the approval of readiness and PPF proposals from DAEs. They requested that a decision be taken by the Board to request a further update report from the Secretariat at B.17 showing the number of DAE proposals against the total number of proposals. They further requested the Board to take a decision to nominate ‘champions’ from among the Board members and alternate members to draw up a specific action plan in relation to COP guidance for submission to the Board under the current agenda item at B.17. Another Board member noted that it would be necessary to accredit three to four times as many DAEs in order to bring forward more proposals and to strengthen capacity on accreditation to achieve this.

120. Various Board members underlined the need to streamline the accreditation process and to give priority to dealing with accreditation and funding proposals from DAEs. One Board member suggested having time-bound processes, including for accreditation and the review of funding proposals. Another Board member supported the prioritization of high-quality funding proposals from DAEs as part of the general prioritization of highly transformational projects, regardless of the type of accredited entity. A further Board member acknowledged the need to prioritize DAEs, while also calling for the existing fast-track procedure for international entities to be maintained. One Board member called for the establishment of a simplified approval process for DAEs, noting that without such a process it would be difficult to redress the current imbalance. Two Board members noted the need to focus on DAEs at the concept note stage; one proposed the inclusion of a paragraph in document GCF/B.16/Inf.08 indicating that the Secretariat should give priority to reviewing concept notes submitted by DAEs.

121. Several Board members expressed support for the proposed initiative to establish partnerships between international entities and direct access entities from different accreditation categories, which would contribute to long-term capacity-building in DAEs and bring about transformational change. One Board member asked the Secretariat for a progress update on those efforts. Two Board members underlined the need to reflect on and establish appropriate terms for such partnerships, which would only be successful if based on well-funded, regular and in-depth collaboration on a long-term basis.

122. Some Board members called on the Secretariat to issue RFPs geared specifically towards attracting funding proposals from DAEs. One Board member suggested the issuance of an RFP specifically aimed at forging partnerships between local and international entities. Another Board member stated that RFPs may not be the best approach but should be encouraged where appropriate.

123. Two Board members noted that capacity-building was an inherently lengthy process and highlighted the need to prioritize quality over quantity; DAEs should not be rushed into submitting proposals before they were sufficiently prepared, and the upcoming evaluation of the Readiness and Preparatory Support Programme should include gathering feedback from DAEs on how the GCF could best assist them.

124. A PSO active observer commended the Secretariat on the various forms of assistance it was currently providing to DAEs, while expressing concern over the heavy burden that such work represented on the resources of the Secretariat. With that in mind, the observer recommended that the Secretariat explore alternative approaches, such as tailored RFPs targeted at DAEs, which should be disseminated as widely as possible outside the existing GCF network. The Secretariat should also encourage proposals from potential national or regional executing entities, especially from the private sector, which may not ever wish to become AEs, and promote knowledge-sharing and partnerships not only between AEs with differing levels of accreditation, but also between AEs and executing entities on the ground.

125. A CSO active observer welcomed the Secretariat's work as set out in the document, while noting nonetheless that the proposed measures to improve the balance of the pipeline were insufficiently clear and appeared deficient. Noting that micro- and small-sized projects should be simpler to develop and lower-risk than larger ones, the observer called on the Secretariat to investigate and address the current lack of submissions in that category. The observer called on the Secretariat to enhance its outreach activities to inform all relevant stakeholders on GCF policy and processes, taking potential language barriers into account, and requested a detailed status report from the Secretariat on the efforts made by international entities to enhance the capacity of DAEs since being accredited with the GCF, noting that local in-country expertise should also be effectively exploited alongside internationally-led capacity-building. The observer reiterated the need to establish a meaningful simplified procedure for small-scale activities, in line with the Governing Instrument, and called for greater transparency on the nature and content of concept notes in the GCF pipeline.

126. The Co-Chairs took note of the comments made by Board members and observers and invited the Board to take note of the document.

127. The Board took note of document GCF/B.16/Inf.08 titled.

Agenda item 11: Readiness and preparatory support

(a) Progress report on the Readiness and Preparatory Support Programme

128. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.16/Inf.05 titled "Progress and outlook report of the Readiness and Preparatory Support Programme". The programme had been operationalized by decision B.08/11 and the Secretariat had been asked to update on progress biannually. Given the interest in the programme, the Secretariat was now providing updates at each Board meeting.

129. They invited a representative of the Secretariat to present an introduction.

130. The Secretariat representative provided:

- (a) A programme overview, including regional breakdown – 92 requests approved for over 70 countries to a value of USD 27.7million;
- (b) Disbursements – a cumulative total of USD 4.9 million, for 50 requests in 41 countries with the highest number processed in the first quarter of 2017; and
- (c) Expected results – there was an increasing focus on results under three categories:
 - (i) NDA/focal point (FP) capacities strengthened (54 countries);
 - (ii) Country programmes developed (50 countries); and
 - (iii) Entity accreditation capacity assessed (20 direct access entities).

131. Finally, as requested by the Board, work had been undertaken to develop a work plan, which provided projections for the year. Furthermore, final steps were under way to finalize a contract with United Nations Office for Project Services (UNOPS) to administer a part of the portfolio of approved readiness grants under implementation. Separately, ways to automate the readiness process and operations were under development.

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

General comments

133. Board members thanked the Secretariat for the progress made on the programme, which as one noted, was the oldest programme of the GCF. Several Board members took the opportunity to express thanks for the contribution made by the former Director of the Country Programming Division, Mr. Ousseynou Nakoulima. It was noted that he had built the division along with the Accreditation Division and the PPF to its present strength. One Board member expressed hope that his replacement, once appointed, would pursue these matters with the same vigour. Another Board member stated that the programme was responding to the needs of resource-constrained countries, including SIDS. Its progress vindicated the leap of faith by the Germany and the Republic of Korea in providing seed money for the programme. Another Board member stated that their government's climate assistance policy recognized the need to provide capacity-building support to developing countries, and they recognized the importance of the programme in this regard. They also appreciated more than half of the approved readiness grants were at the disbursement and implementation stage. They looked forward to more progress in 2017.

Work Plan

134. One Board member also noted support for the work plan as articulated in the report. Another Board member stated that it was time for the Board to approve a work plan for the programme in the same way as it did for the Board and for the Independent Accountability Units. This would need to include timelines, the number of activities, the diversification of these activities, expected country disbursement and financial reporting. They also wished to see the programme expenditures audited either internally or externally. They requested that a decision be taken requesting the Secretariat to submit a 2017 work plan, for which guidance could be provided, which would include reporting on finance. Secondly they expressed thanks to the Secretariat for the consolidation of work programmes and country programmes, and sought clarity on the management of NAP requests.

135. The Co-Chairs stated there was already a reference to this in the Secretariat 2017 work programme. They would review this in consultation with said Board member. If this did not suffice there would be a separate Board decision. Said Board member confirmed their acceptance of this proposal.

Questions

136. Board members raised several questions including the following:
- (a) Had there been any results from the existing Readiness and Preparatory Support Programme?
 - (b) How many DAE readiness proposals had been approved?
 - (c) What was the status of readiness proposals held up over the negotiation of fees?
 - (d) What was the difference between fees charged by service providers which were not AEs and the accredited United Nations entities dealing with the programme? (On a related point, a Board member noted the update stated that further work was needed on the fees policy.)
 - (e) Why were the figures in the slide presentation in some cases not the same as those in the document?
 - (f) Would the programme make any difference to next year's pipeline in terms of increasing from the current low level the number of DAE funding proposals?
 - (g) What were the key interventions with the help of UNOPS?
 - (h) What were the projections for disbursement during 2017?
 - (i) How was the readiness work of the GCF linked to a countries NDCs and general strategies relevant for the GCF and how did this impact pipelines in country programmes?
 - (j) Were there any preliminary outcomes from involving stakeholders, the private sector and civil society?
 - (k) Given concerns from the Board in the early days of the GCF regarding the potential overlap of GCF readiness work with that of other organizations, what reflections could the Secretariat provide on coordination with other readiness programmes?
 - (l) What actions could be taken to progress DAEs?

Direct access entities

137. A Board member, and a representative of the LDC constituency, stated that the programme was very important to them. They calculated that of USD 360 million approved for LDC projects, only three projects had come from DAEs and only one from a national entity. This was of great concern and they wished to see an increase in the number of DAEs accredited to enable more funding proposals to be submitted by DAEs. Secondly, they reminded the Board that, by decisions B.08/03 and B.11/10, a monitoring and accountability framework and a fast-track framework had been established. They wished to encourage international entities that the Board had accredited to give as much support as possible to aspiring DAEs to see more submissions coming from LDCs.

Process suggestions

138. A Board member proposed that some time limits should be set within which the Secretariat would respond to documents or proposals which had been submitted by entities. Secondly, given that the existing request template was quite challenging, the Secretariat may need to provide greater support at a personal level, where needed, notwithstanding the move to make the process more automated.

139. The Co-Chairs invited a representative of the Secretariat to respond to questions from Board members.

140. The representative of the Secretariat provided the following responses:

- (a) Early results of the Readiness and Preparatory Support Programme had been communicated at B.15;
- (b) An explanation of the delivery partner fee versus the project management cost issue;
- (c) Clarification that figures in the report were as at 28 February 2017, while the figure in the slides were up to 31 March 2017;
- (d) Clarification that links to NDCs and stakeholder engagement were being included in all readiness proposals; and
- (e) Clarification on the scope of the work of UNOPS.

141. The Board took note of document GCF/B.16/Inf.05.

(b) Terms of reference for the independent evaluation of the Readiness and Preparatory Support Programme

142. The Co-Chairs opened the agenda sub-item. They reminded Board members that by decision B.15/04, the Secretariat, recalling decision B.08/11, paragraph (j), and decision B.13/03, were requested to present the results of the independent evaluation of the Readiness and Preparatory Support Programme to the Board no later than the last meeting in 2017. The Secretariat had also been requested to present the draft TOR for the independent evaluation of the programme for the Board's consideration at B.16.

143. Unfortunately, there had been insufficient time for consultations with constituencies to be completed prior to B.16. The Co-Chairs therefore asked the Board to mandate them to continue working on this between meetings, so that the Secretariat could prepare and present the draft TOR to the Board for consideration to enable a between-meetings decision to be taken prior to B.17. This would enable the review of the programme to be completed by B.18.

144. The Board requested the Secretariat to prepare the TOR for the independent evaluation of the Readiness and Preparatory Support Programme for consideration and adoption by the Board as a decision between meetings.

(c) Country ownership guidelines

145. The Co-Chairs opened the agenda sub-item and introduced GCF/B.16/06 titled "Guidelines for enhanced country ownership and country drivenness".

146. They reminded the Board that by decision B.10/10 the Board had requested the Secretariat to prepare a proposal of guidelines strengthening the role of NDAs/FPs in enhancing country ownership and country-driven processes.

147. The initial strategic plan for the GCF adopted by the Board at B.12 affirmed that the GCF would promote country ownership through its operational modalities and by providing support to build country capacity. Subsequently, in decision B.14/06, the Board requested Board member Mr. Colin Young and alternate member Ms. Kate Hughes to consult with the Board intersessionally. They presented an update at B.15 and consulted further during the meeting. On the final day of the meeting, following consultations, the Board requested alternate members Mr. Amjad Abdulla and Mr. Daniel Reifsnyder to continue to consult with the Board intersessionally with a view to presenting revised country ownership guidelines for

consideration by the Board at B.16. On behalf of the Board, the Co-Chairs thanked the four people involved.

148. As it had only been possible to circulate the document a few days before the start of B.16, the Co-Chairs proposed that more time should be given to Board members to consider it by deferring consideration of this agenda sub-item to B.17.

149. The Board took note of document GCF/B.16/06.

150. The Board requested Mr. Abdullah and Mr. Reifsynder to continue their consultations on this matter, and agreed to defer consultations to B.17.

151. On the final day of the meeting, Board members held a further short discussion related to this item. One Board member, acknowledging that the agenda sub-item was closed wished to know what were the sticking points in reaching a conclusion on this sub-item. Separately they wished to put on record their concern regarding important policy issues being constantly delayed and stated that the Board must consider an option to address these.

152. Another Board member noted that the Board should reconsider the model being used to progress this matter (i.e. a small number of Board 'champions' with good personal chemistry).

153. A further Board member stated that the item had been gavelled too quickly on the first day of the meeting and requested that, given the dire need for such guidelines, that this matter be reflected in a Board decision.

154. The Co-Chairs stated that this was their intention and it was for this reason they wished it to be recorded in the Board report for B.16. Regarding the matter of outstanding policy issues, they confirmed that they would continue consultations with the Board to find an effective way forward.

Agenda item 12: Status of the GCF portfolio - pipeline and approved projects

155. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/Inf.06 (general distribution) and Add.01 and Add.02 (limited distribution) titled "Status of the GCF portfolio: pipeline and approved projects".

156. A representative of the Secretariat presented an update on the status of the project and programme pipeline for the reporting period between 1 November 2016 and 31 January 2017, including a breakdown of projects by region, sector, funding instrument and estimated impact, and an overview of the concept note pipeline.

157. Board members expressed broad satisfaction at the status of the pipeline in terms of quantity, distribution between the public and private sectors, and the proportion of projects from the LDCs, SIDS and African States. One Board member expressed concern at the low proportion of transport-related and Eastern European projects. Many Board members expressed concern over the need to significantly improve the quality of funding proposals. In order to remedy the problem, some suggested that the Secretariat should be empowered to play a more proactive role in screening projects during the early stages of proposal development and that the Board should give the Secretariat the necessary tools to do so; one Board member noted the need to increase capacity at the Secretariat so as to carry out such tasks, and another noted the need for effective collaboration between Secretariat divisions. Other Board members reaffirmed that the Secretariat's core business was not project development but quality assurance, and that the responsibility for programming lay with accredited entities and NDAs. A number of Board members pointed to potential approaches that could be taken by the Secretariat, including the following: (1) identifying and accelerating the progress of the projects

it deemed to be of best quality; (2) providing clearer guidance on the kind of projects sought by the GCF; (3) making accreditation more flexible; and (4) structuring the pipeline based on impacts such as the total amount of greenhouse gas emissions to be prevented.

158. Discussion took place over how to define whether projects dealt primarily with climate change or development and where the two overlapped, as well as how such a definition would affect project approval by the GCF. While there was broad agreement that the GCF was committed to the development of beneficiary countries, a number of Board members highlighted the need for the main component of GCF-funded projects to be explicitly focused on climate action. Some noted that while all climate projects also counted as development projects, the opposite was not always true. A number of Board members suggested that funding decisions should be based on how the GCF could add value to a project by promoting climate-related objectives and could achieve maximum transformational impact while also seeking synergies with broader development goals. One Board member suggested that GCF-funded projects should be defined by whether or not they tackled problems that were primarily caused by climate change and were focused on addressing climate change and its consequences.

159. A number of Board members observed that the proportion of grants compared to loans had increased. Many emphasized the need for maximum cost-effectiveness, for example through applying appropriate concessionality to loans and leveraging more co-financing. One Board member noted the need for a definition of minimum concessionality and others noted that the lack of indicative minimum benchmarks was an impediment to maximizing cost-effectiveness. One Board member underlined that indicative minimum benchmarks should act as a useful tool, not a restrictive measure. Other Board members called for greater efforts by the Secretariat to mobilize investment and use innovative financing mechanisms.

160. Many Board members expressed concern over the low proportion of funding proposals from DAEs, noting that the pipeline for 2017 contained only three such proposals. Members urged the Secretariat to identify the reasons behind that trend and to strive to overcome the barriers faced by DAEs in engaging with the GCF. One Board member suggested that the Secretariat could hold a capacity-building or experience-sharing event to improve participation from DAEs. Another Board member noted with satisfaction, nonetheless, that a greater number of proposals from DAEs featured in the pipeline beyond 2017.

161. Several Board members stressed the need to encourage the submission of proposals based on programmatic approaches, which had the potential for large-scale impact, noting that only 12 such proposals had been approved to date. One Board member suggested the issuance of RFPs specifically geared towards programmatic approaches. Two Board members expressed concern at the length of time some proposals had remained in the pipeline, questioning whether some may eventually be removed without ever being submitted to the Board. One Board member noted with concern that the current backlog, together with the capacity projections contained in the work programme, appeared to indicate to stakeholders that the GCF did not have the capacity to absorb any new proposals within the current year. Another Board member requested the inclusion in pipeline reporting of the date when proposals had entered the pipeline and suggested the introduction of a time-bound process to give greater certainty to stakeholders. Board members further requested greater transparency in reporting; more information on the impact and value for money of each of the investments, information on the amount of greenhouse gas emissions prevented or avoided by GCF projects; and the inclusion in the presentation by the Secretariat of a breakdown of proposals by type of accessing entity.

162. A Board member noted the ongoing need to achieve a balance between mitigation and adaptation and the current lack of a clear definition of cross-cutting proposals. Another Board member expressed concern at the lack of private sector action in the field of adaptation, despite the significant potential that had been identified in fields such as insurance. Another Board member observed that the dichotomy between public- and private-sector proposals obscured

the fact that the design, leveraging of funding and implementation of projects often involved input from both public- and private-sector entities. One Board member questioned whether the co-financing figures in the pipeline report were accurate, given that the figures appeared to be much higher than one would expect based on the proposals approved to date. A further Board member raised the concern that some of the GCF instruments, such as the PPF, suffered from insufficient country ownership, given that accredited entities may involve NDAs long after their initial engagement with the Secretariat.

163. One Board member expressed concern over the lengthy delays between the approval and implementation of funding proposals. The Board member further asked whether the international access entities submitting the current batch of funding proposals had signed the AMAs necessary for implementation. Another Board member asked whether the total pipeline value of USD 3.5 billion stated in the presentation included the funding proposals that would be submitted for consideration by the Board at B.17.

164. A CSO active observer expressed concern over the low proportion of proposals from DAEs in the pipeline and said that there may be a bias in the Secretariat and the Board against public-sector proposals on the basis of co-financing provided or an excessive focus on incremental cost financing, which often favoured multilateral implementing entities, specifically multilateral development banks. They underscored that the needs of recipients should be the primary factor in deciding whether proposals would be presented to the Board, noting that decision B.13/36 explicitly allowed for the GCF to finance full-cost grants, on which many DAEs depended for project implementation, especially in the case of adaptation projects. Lastly, they reiterated the need to establish a simplified approval process.

165. A PSO active observer said that greater transparency on the quality of projects currently in the pipeline, including an indicator demonstrating the extent to which the pipeline of projects met the requirements of the GCF on paradigm shift among other criteria, would offer greater visibility and certainty to the Board and stakeholders on timelines for the final approval of projects and the disbursement of funds. The observer welcomed the number of private sector projects in the pipeline, while emphasizing the importance of finalizing AMAs and establishing benchmarks and criteria for funding proposals, especially given that some private sector entities were reluctant to devote resources to project development in the light of the current uncertainty.

Response from the Secretariat

166. A representative of the Secretariat took note of the comments from Board members and thanked them for their guidance and suggestions. In response to queries, the Secretariat representative explained that of the 50 proposals in the pipeline, 11 had been submitted since the previous Board meeting, 29 were expected to be presented to the Board in 2017, and 23 had been submitted by entities that had signed their AMAs. In terms of climate impact, the 50 funding proposals in the pipeline had a combined mitigation potential of 1.3 gigatonnes of carbon dioxide equivalent (Gt CO₂ eq) and a total of 174 million beneficiaries; this information was also contained in the presentation slides. The total size of the approved portfolio was USD 1.5 billion, the funding proposal pipeline amounted to USD 3.5 billion, and the pipeline of concept notes amounted to USD 9 billion worth of funding.

167. As a means of improving transparency and promoting the development of funding proposals that meet the requirements of the GCF, a Board member suggested that AEs publish a one-page summary of their proposals at the time of submission, explaining why GCF funding was being sought for the project in question.

168. The Executive Director welcomed the suggestion on one-page summaries of funding proposals and said that the Secretariat would take it into account, while noting the need to examine the legal and other implications of such an initiative.

169. Two Board members stressed that the valuable input provided by Board members on this agenda item should be fully recorded as guidance on how to improve the processes of the GCF and overcome challenges related to the quality of funding proposals.

170. The Co-Chairs affirmed that the Secretariat had fully taken note of the comments and would take them into account in its work, as well as including all those that related to policy in the list of policy matters to be addressed under agenda item 13, “Policy matters related to the approval of funding proposals”.

171. The Board took note of document GCF/B.16/Inf.06 (general distribution) and Add.01 and Add.02 (limited distribution).

Agenda item 13: Policy matters related to the approval of funding proposals

(a) Status of the fulfilment of conditions on relevant approved projects

172. This agenda sub-item was not opened.

(b) Review of the initial proposal approval process

173. The Co-Chairs opened the agenda item and said that on Monday, 3 April 2017, the day prior to the start of B.16, Board members and alternate members had attended a retreat to discuss the Board’s priorities for 2017. During the discussions, convergence had emerged on the importance of carrying out work on policy matters related to the approval of funding proposals, including: (1) the conclusion of the review of the initial proposal approval process, in accordance with decision B.11/11; (2) the development of guidelines on the simplified process for the approval of certain activities, in particular for small-scale activities, in accordance with decision B.13/20; and (3) the undertaking of further work on the consideration of policy matters arising from the consideration of funding proposals at B.15, as contained in annex XIX to document GCF/B.15/25. Following the retreat, the Co-Chairs had conferred on the matter and drawn up a draft decision which was before the Board.

174. They invited the Board to adopt the decision and opened the floor for comments.

175. Several Board members underlined the need to make progress on resolving policy gaps, especially the simplified approval process which had been deferred many times. They agreed that work must be carried out urgently to review policy issues and submit the relevant findings and research to the Board for it to consider and incorporate into its review of policy gaps. Regarding who should carry out such a task, some Board members endorsed the proposal set out in the draft decision to assign the task to the Executive Director, while one Board member asserted that the task should instead be assigned to the Independent Evaluation Unit (IEU) and proposed removing paragraphs 2 and 3 from the draft decision.

176. Following an exchange of views on the subject, Board members sought to reach agreement on this agenda item. However, this was ultimately not possible due to time limitations. Consequently, the Co-Chairs stated that, as no consensus had been reached, consideration of the agenda item would be suspended.

177. The agenda item was not reopened.

(c) Simplified approval process

178. This agenda sub-item was not opened.

(d) Policy matters arising from the consideration of funding proposals at the fifteenth meeting of the Board

179. This agenda sub-item was not opened.

Agenda item 14: Approval of funding proposals

180. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/07 titled “Consideration of funding proposals”.

181. A representative of the Secretariat presented the list of projects under consideration at B.16, including information on sources of financing, expected mitigation and adaptation results and breakdowns by geographical and results areas, as well as the projected composition of the approved portfolio if all funding proposals under consideration were approved.

182. The Co-Chairs opened the floor for general comments on the funding proposals.

183. Board members commended the Secretariat and the independent Technical Advisory Panel (TAP) on their efforts to bring forward the current batch of funding proposals for submission to the Board, as well as their helpful and objective input.

184. A number of Board members expressed concern that the climate-related objectives of certain projects were not sufficiently clear, particularly in the case of adaptation. Similarly, the climate additionality of some projects was not clearly articulated and costed and there was a lack of explicit information on the expected greenhouse gas emission reductions as a result of the projects. Two Board members countered that the portfolio under consideration had been prepared on the basis of current Board guidelines and country strategies and plans, in line with the Paris Agreement; as such, they were classified as climate projects and the GCF had the mandate to fund them. The following further concerns related to: (1) the sustainability of some of the projects; (2) insufficient attention to environmental and social risks and gender concerns in some proposals; (3) a lack of consideration of potential synergies or duplication with other activities in the relevant countries; and (4) the fund-of-funds approach pursued by some of the proposals.

185. Some Board members raised questions about value for money in the use of GCF funds; one Board member expressed concern at the lack of information on the fees and interest rates that accredited entities applied to the countries themselves, which made it difficult to assess how efficiently GCF funding was being spent. Moreover, the above-mentioned aspects were not assessed by the TAP. One Board member said that good progress had been made on the gender components of projects and highlighted that the adequate application of gender guidelines and environmental and social safeguards necessarily came at a certain financial cost, yet was critical to the quality and success of the project. The same Board member also noted that monitoring and evaluation components of projects remained deficient.

186. Board members once more expressed diverging views on the climate/development nexus, as discussed under agenda item 12, “Status of the GCF portfolio: pipeline and approved projects”. One Board member said that the TAP was biased against adaptation projects, and encouraged the TAP to reflect on the definition of adaptation.

187. Some Board members underlined the difficulty in discussing fundamental aspects of proposals at the Board stage, especially in view of the high expectations built up on the part of

many stakeholders; with that in mind, the Secretariat should be given more latitude to become involved early in the proposal development process so as to improve quality from the outset. One Board member said that the ideal would be to have only mature proposals submitted to the TAP and proposals approved with no conditions. Another Board member asked the Secretariat to report on any policy issues that had been flagged during the process of preparing the current batch of proposals for Board submission. They also asked if there was a way to send feedback on proposals to the relevant accredited entities without formally rejecting the proposals.

188. A Board member noted with concern that five of the nine projects under consideration had been submitted by accredited entities that had not signed AMAs. The Board member also asked whether conflict analyses were carried out for all projects, noting the importance of ensuring that GCF projects favoured conflict resolution and minimized negative repercussions on political stability. They also said that the risk matrix should include, as standard, a financial management risk analysis, including risks of malpractices and proposed mitigation actions. Another Board member said that the Secretariat was making inconsistent policy decisions on matters where Board guidance was currently lacking, such as the incremental cost of adaptation or the level of concessionality. A further Board member observed that some concerns raised by the Secretariat and the TAP in their assessments had not been reflected in the form of conditions and recommendations, and called on the Board to take this into account when examining the proposals. One Board member wished to know how the statistics provided translated into tangible differences to the lives of beneficiaries, and requested that such explanations be included in future proposals.

189. A CSO active observer expressed concern over the following: (1) the rising share of proposals from multilateral development banks; (2) the high risks from private sector projects with high rates of leveraged financing but without guarantees; (3) the need to apply affordable water tariffs on water infrastructure and the need to prioritize the most vulnerable communities and households over commercial agriculture or industry needs; (4) variation in the completeness of TAP assessments; and (5) an excessive focus on infrastructure investment instead of measures to address and sustain behavioural and societal change. The CSO observer also underlined the need to obtain free prior and informed consent as early as possible in project design, noting that seeking consent only during implementation was insufficient, and asked for gender action plans to be considered a prerequisite for submission to the Board, rather than addressed as a later possibility. Finally, they urged the GCF to continue to be more transparent in the disclosure of project documentation.

190. A PSO active observer reiterated the need to finalize project benchmarks and encouraged the TAP to adopt clearer criteria on which funds were allocated to project preparation and which formed part of core funding proposals, highlighting the need to avoid duplication. While recognizing the crucial importance of skills transfer and capacity-building, they encouraged the development of criteria to ensure consistency in the use of GCF grant funding for such activities. They noted with satisfaction that a number of projects had a clear private sector focus, and specific targets on how the private sector would be engaged in project implementation, which demonstrated the value of private-sector entities, not only as accredited entities but as implementing partners and in terms of providing financing.

191. Several Board members said that while national emissaries were welcome to visit the GCF, their presence in the Secretariat offices during a Board meeting was of concern since it could allow them to lobby for their countries' projects.

192. The Co-Chairs noted that, while all participants were welcome as observers to attend GCF Headquarters during Board meetings, it was important to maintain good governance standards; projects must be considered on their own merits, and national advocacy was therefore discouraged.

193. Other Board members underlined the need to pay due respect to country representatives, noting that such a message should have been sent in advance of the Board meeting. They also appealed to the Board to view the importance of sending delegates in the context of the internal politics of some beneficiary countries, and noted that the presence of national emissaries reflected strong country ownership.

194. The representative of the Secretariat took note of the various comments from the Board and active observers, noting that work was ongoing by the Secretariat to address many of the issues raised, and assuring that all comments would be taken into account. Regarding the stated lack of clarity on fees and interest rates, they explained that disclosure of financial details of proposals, in particular those submitted by private sector entities, was complicated as it required consultation and agreement with the entity concerned to ensure confidentiality was maintained. They indicated that progress on AMAs would be presented to the Board later in the meeting. Furthermore, they noted that a new group had been set up in the Secretariat to focus on monitoring and evaluation, and that the 'fund-of-funds' approach would be discussed under the corresponding funding proposal.

195. One Board member noted that the sessions on general comments on the funding proposals under consideration constituted a good opportunity for the Secretariat and the TAP to raise generic issues that should be taken into account, and to take note of Board members' observations. These could then be communicated to accredited entities with a view to enhancing the design of proposals. Another Board member emphasized the need to consider the proposals one by one, rather than as a package.

196. A Board member expressed condolences to a Colombian member of the TAP for the landslide that had occurred in Colombia on 1 April 2017, leading to the loss of many lives.

197. The Co-Chairs took note of the comments and confirmed that the proposals would be considered one by one.

Funding proposal 038 (FP038): "GEEREF NeXt" (European Investment Bank)

198. The Co-Chairs noted that several no-objection letters (NOLs) had been submitted under FP038 from a number of additional countries after the original funding proposal had been circulated to the Board.

199. A representative of the Secretariat presented FP038, a project aimed at catalysing private sector capital for the development of renewable energy and energy efficiency projects in GCF eligible countries, accompanied by local capacity-building and knowledge transfer to support the evolution of commercial environments and enabling ecosystems for clean energy.

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

201. Many Board members expressed support for the proposal, noting that it was innovative, transformational and designed to deliver at scale, given that it would attract institutional investors who were traditionally reticent to investing in green projects in developing countries. One Board member noted with satisfaction that the European Investment Bank (EIB) had held extensive consultations with civil society organizations and NDAs, and another noted that the proposal had good potential to support SIDS. A Board member praised the high environmental and social standards of the Global Energy Efficiency and Renewable Energy Fund (GEEREF), suggesting that the GCF should learn from them. Another Board member expressed support for the business model set out in the proposal, noting that the existing GEEREF instrument had the necessary track record to attract private investors and that investments in it had performed well to date. A further Board member said that the project had good potential to achieve a multiplier effect.

202. Several Board members noted that many developing countries were interested in the project, which demonstrated strong country ownership, and noted that more countries may wish to become involved at a later stage; with that in mind, the Board should allow the Secretariat to bring additional no-objection letters to the Board for its consideration at a later date. A number of Board members requested clarification as to whether the countries in question all had the necessary level of readiness to benefit from the project, and whether every country that had issued a no-objection letter would receive GCF funding; one highlighted the need to take into account the potential reaction of countries that had submitted a no-objection letter but did not receive funding.

203. Another Board member asked whether the eligibility criteria of GEEREF NeXt were aligned with those of the GCF and whether any projects and target beneficiaries had already been identified under GEEREF NeXt. Several Board members requested information on how the performance of GEEREF would be measured against certain parameters in the proposal that were presented as “up to” a certain figure, noting that in such cases no minimum figure had been mentioned. One Board member wished to know if the GCF could play an active role in overseeing the performance of the investment vehicle in addition to receiving reports.

204. A Board member asked how the significant risks to the GCF would be mitigated, given that the GCF was the sole investor in junior equity and it was possible that GEEREF NeXt could fail to meet the fundraising target to cover all the target countries that had issued no-objection letters. The same Board member also asked how the ‘fund-of-funds’ concept tied in with the Board’s discussion on programmatic approaches. Another Board member noted the lack of fiduciary oversight that the GCF would have over GEEREF NeXt, and a further Board member expressed concern that funding for this proposal was based solely on the previous performance of the original GEEREF investment vehicle and questioned what the consequences would be in the event that GEEREF NeXt failed to perform sufficiently well.

205. Two Board members stated that the proposal’s lack of a specific time frame for fundraising was a cause for concern, especially in view of the size of the investment; one wished to know if the energy generation and energy savings indicators were realistic and expressed doubt over the efficiency and effectiveness of the capacity-building component. Two Board members proposed the inclusion of the condition stating that the Board should have oversight of any potential category-A subprojects. Another Board member wished to know what the additionality of the proposal was for the GCF.

206. A Board member praised the Secretariat’s efforts to restructure the fees and ‘waterfall’ structure, while requesting justification for the value for money offered by the technical assistance facility worth USD 15 million. The Board member also noted the need for a more ambitious gender strategy and action plan, for example by including a higher target for female-led small and medium-sized enterprises and the proportion of jobs dedicated to women.

207. A Board member enquired as to how the leverage ratio would be calculated and the efficiency of GCF funds would be evaluated given that actual GCF funds would represent a very small amount in comparison with the total leveraged funds at the underlying project level.

208. Another Board member noted the late submission of a number of NOLs and asked whether this was a symptom of late involvement of NDAs in the project preparation process. They highlighted the need to strengthen the role of NDAs and noted the need to address this issue under the upcoming discussion on policy gaps.

209. A CSO active observer welcomed the focus of FP038 on catalysing renewable energy and energy efficiency, and the wide consultation of civil society by the EIB. They noted that while the EIB had provided civil society representatives with informal assurances that it would not invest in funds that directly or indirectly supported fossil-fuel infrastructure; such assurances did not appear in writing as part of the funding proposal or environmental and social management

system. Stressing the need for consistency in risk ratings of environmental and social safeguards (ESS) and criteria for biomass projects, the observer proposed the inclusion of additional conditions stating that the list of excluded activities in the environmental and social management system must include electricity generation from oil, gas and biomass infrastructure, and that GCF funding must not be used for category-A subprojects. They also noted that the GCF should have full oversight on subprojects and proposed that investments under appraisal should be disclosed to the public on the GEEREF NeXt website or the GCF website at least 30 days prior to approval; this should include ESS appraisals of subprojects. In addition, a full list of fund managers and subprojects should be made available on the GEEREF NeXt website or the GCF website. They further proposed that the GEEREF team should include an ESS and Gender Specialist to ensure adequate capacity to oversee ESS and gender issues. Lastly, the CSO active observer noted that they had submitted more detailed comments on FP038 to the Secretariat in writing and wished them to be taken into account.

210. A representative of the TAP expressed strong support for FP038, noting its potential for transformational impact and expected ability to overcome barriers to much-needed investment in renewable energy and energy efficiency in Latin America and the Caribbean and Africa. Regarding the projected success of the project, the TAP representative noted that the performance indicators presented by the EIB were based on its track record, which strongly indicated that the proposed fund-of-funds approach would be a highly efficient use of GCF funds. If the project succeeded in creating more local and regional Fund Managers in those regions to invest in renewable energy and energy efficiency, the project would demonstrate added value, given that Fund Managers were almost non-existent in those regions and GEEREF had notable experience supporting local Fund Managers in developing countries.

211. A representative of the Secretariat highlighted that according to a third-party opinion on the proposal regarding risk, there was no additional liability for the GCF, that the risk of capital loss was limited and that the GCF was likely to retrieve its capital by the end of the project tenure. The Secretariat would work closely with the EIB to incorporate the suggestions based on the third-party risk opinion to protect the rights of the GCF at the legal documentation stage.

212. A representative of the EIB said that, from a statutory standpoint, it could not be junior to any other investors; the bank therefore required the participation of the GCF in the junior tranche in order to catalyse private-sector funding. Based on the previous experience of the EIB in launching the initial GEEREF investment vehicle, in particular the valuable lessons it had learned when struggling to raise private sector investment in the aftermath of the 2008 financial crisis, the EIB was confident in its ability to raise the stated USD 500 million by the specified deadline.

213. The representative of the EIB noted that GEEREF NeXt was aimed at overcoming the reluctance of private sector investors to invest in the uncharted territory of renewable energy and energy efficiency in developing countries, and highlighted that the investors in GEEREF were beginning to receive a return on their investments, which would help to demonstrate that such investments were not only good for the planet but could also generate profit. The EIB could not guarantee that all the countries that had submitted NOLs would receive financing, given that other factors such as countries' respective regulatory frameworks would also come into play; nonetheless, most of the countries concerned were likely to receive support from GEEREF NeXt.

214. The EIB representative also noted that if regulatory bottlenecks were identified, GEEREF NeXt would help countries to overcome them. In its pipeline, GEEREF NeXt already had a significant number of projects, including a mix of pioneer funds, follow-on funds and direct investments; this gave it a good basis on which to make future calculations. With regard to the timeline, after the signing of the necessary agreements with the GCF, the EIB would have 18 months to complete its fundraising and five years to make the necessary investments. The representative of the EIB also clarified that part of the technical assistance facility would be

used to help pioneer funds to raise the necessary funds to cover project management and Environmental, Social and Governance (ESG) Specialists. The EIB had classified the projects with an aggressive ESG risk rating so as to ensure close monitoring and rigorous scrutiny of the activities. They also noted that the ESG standards of the GCF would be imposed by the EIB on the Fund Managers participating in the project, who would be contractually obliged to implement those requirements; moreover, legal recourse would be taken in the event that the requirements were not met.

215. The Co-Chairs took note of the comments and suspended consideration of FP038.

Funding proposal 039 (FP039): “GCF – EBRD Egypt Renewable Energy Financing Framework” (European Bank for Reconstruction and Development)

216. A representative of the Secretariat introduced FP039, a project aimed at catalysing the development of a competitive, efficient renewable energy market that would allow Egypt to achieve its renewable energy targets, while increasing the share of privately-owned generation capacity.

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

218. A Board member expressed concern over the high level of concessionality offered in the proposal and requested confirmation that the same level of concessionality would be passed on to the final beneficiaries.

219. Two Board members questioned whether it was acceptable for the accredited entity to refrain from sharing details on the pricing of the proposed loan from the GCF; one expressed concern that pricing was to be calculated on a case-by-case basis and said that details on pricing must be shared with the Board.

220. One Board member noted that the proposal was a good match for the needs of the country. While welcoming the gender component of the proposal, they highlighted the need to include gender targets in the results framework. The same Board member expressed doubt that the size of the technical assistance facility was fully justified and represented good value for money.

221. A CSO active observer noted with satisfaction that the proposal was in line with the target country’s objectives. Nevertheless, they expressed concern over the explicit objectives to increase the participation of the private sector in the electricity sector in Egypt and requested further information on the proposed feed-in tariffs and the structure of long-term power purchase agreements, underlining the need to prevent an unfair burden on consumers, particularly those on a low income. The observer also requested confirmation that the project would not finance any category A subprojects and that permissible subprojects would be published online at least 30 days prior to approval. Noting the crucial role of the technical assistance component for the long-term success of the project, the figure of USD 7 million for technical assistance seemed too low. The observer also asked why the subprojects for photovoltaic installations were concentrated in a single region and whether more decentralized approaches had been considered. They also called for further strengthening of employment creation, including explicit measures to promote local jobs and local value creation.

222. A representative of the TAP said that the concessionality was offered to help the project increase the country’s capacity for renewable energy generation and to create additional jobs. They also clarified that the tariffs to be offered were known and that the concessionality lay in the interest rates offered on the loan.

223. A representative of the accredited entity said that the concessionality was required because of the scale of the project and the fact that this was the first time that private sector firms would be investing in renewable energy in Egypt; the concessionality would make the

project bankable. The case-by-case approach to pricing was designed to ensure that no more concessionality than necessary was granted on each loan.

224. A Board member said that the Board should be made aware of the interest that the GCF would receive on loans for subprojects.

225. A representative of the Secretariat clarified that the concessionality of the loan was based on the principle of a floor rate, as stated in the term sheet contained in the limited distribution documents. The term sheet also stated that no category-A subprojects would be financed under the project.

226. A representative of the accredited entity said that the European Bank for Reconstruction and Development (EBRD) was working together with the other international financial institutions that were lending to the programme to develop environment and social management plans to control and assess the cumulative effects of having a large number of subprojects in one area. The plans were being prepared according to the international standards and their implementation would be enforced for all stakeholders.

227. The Co-Chairs took note of the comments and suspended consideration of FP039.

Funding proposal 040 (FP040): “Tajikistan: scaling up hydropower sector climate resilience” (European Bank for Reconstruction and Development)

228. A representative of the Secretariat introduced FP040, which was aimed at revitalizing the existing dams and infrastructure in Tajikistan to address climate change challenges, through (1) the adoption of international best practices in risk management of the hydropower sector; (2) the development of institutional capacity and structures for effective transboundary management of hydropower cascades; and (3) the scaling-up of the integration of climate resilient measures in the hydropower facility.

229. While noting the significant development value of hydropower projects, some Board members pointed to the significant environmental and social consequences of such projects and expressed reservations about whether such projects were a good-value investment for the GCF. One Board member welcomed the scrutiny to which the project had been subjected by civil society organizations. A number of Board members said that hydropower projects should only be eligible for GCF funding if they made a strong case based on the incremental cost vis-à-vis other renewable energy sources, demonstrated measures to mitigate environmental and social safeguard impacts, complied with national legislation, and applied robust safeguards and sustainability policies. In the case of Tajikistan, many Board members recognized the critical importance of hydropower infrastructure in the country, and the need to increase its resilience. However, there was substantial discussion and a diversity of views on various aspects of the proposal which Board members regarded as potential concerns.

230. Some Board members considered the concessionality of the terms to be overly generous, and the sustainability of the project not to be sufficiently well argued. One Board member pointed out that Tajikistan had access to other sources of financing and questioned whether the accredited entity may be seeking GCF finance purely to take advantage of its high concessionality.

231. Diverging opinions were expressed as to whether the proposal was transformational: while some Board members said that there was no transformational value in rehabilitating a dam and its turbines, others noted that the project’s transboundary cooperation and technology transfer to promote infrastructure resilience were paradigm-shifting and set a good example for other projects to follow.

232. Several Board members said that they could not see how the project addressed adaptation, while others disagreed; one said that increasing evidence showed that climate

change had a negative impact on the infrastructure, costs and safety of hydropower facilities, and another pointed out that the dam served 30 per cent of the population. Some Board members also highlighted that the project displaced fossil fuels. A number of Board members asked EBRD to provide indicative figures on the amount of emission reductions that would be achieved by the project.

233. One Board member said that, owing to the strong transboundary component of the project, prior consent should have been secured from the downstream countries bordering the dam, in the form of non-objection letters or other forms of written consent, and opposed starting implementation until such consent had been obtained.

234. One Board member expressed concern that the project may not sufficiently benefit communities, given that other barriers impeding the access of communities to lower-cost energy may not have been addressed, and asked the Secretariat to provide details on the projected cost of energy tariffs for final users. Another Board member stressed the need to consider the resilience of communities downstream.

235. Another Board member underlined the need to improve the monitoring and evaluation component so that the lessons learned could be used for the benefit of future projects. They also noted that while the gender component of the project was good, the actions, outputs and outcomes should be more clearly detailed in the logic framework.

236. Further questions were raised as to:

- (a) Whether an analysis had been carried out on alternative ways of resolving the need for energy that made a case based on the incremental cost vis-à-vis other energy sources;
- (b) The level of involvement of local stakeholders; and
- (c) Whether all costing and arrangements for the implementation of environmental and social impact mitigating measures had been included in the proposal.

237. One Board member suggested the inclusion of a condition requiring EBRD to develop a study on the potential of alternative sources of energy. Another Board member requested a condition requiring EBRD to explicitly commit to and set out the implementation arrangements for the monitoring and evaluation activities for the ESS.

238. A CSO active observer recommended rejection of the proposal, based on the comments they had shared in writing with the GCF, and warned that approval of the project could set a negative precedent for the types of projects that the GCF sought to finance. While rehabilitation of old dams was preferable to building new ones, such projects were not a good fit for the GCF because they did not have a clear adaptation value – given that even best international practices in infrastructure resilience did not address the longer-term recession of ice caps and consequent effects on water inflows – and nor were such projects transformational. The project was neither innovative nor cross-cutting and would contribute to the lock-in of hydropower rather than removing barriers to the diversification of the country's energy portfolio towards renewable sources. Furthermore, the transboundary cooperation and gender components of the project were insufficiently developed and explained, consultation with local stakeholders had been insufficient and there was no certainty that low-income local communities would benefit from affordable access to clean energy.

239. The representative of the TAP said that the project's transboundary cooperation was transformational in the local context and praised the integration of both mitigation and adaptation elements and the use of technology transfer and capacity-building components. The TAP endorsed the project's objective to boost the resilience of country's energy sector, in line with its NDC and similar strategic documents. The TAP representative also asked the Board to provide guidance on whether non-objection letters were necessary in the case of single-country projects with transboundary effects.

240. The representative of the accredited entity said that the project was highly innovative and transformational and would have substantial impact, in view of the high vulnerability of hydropower to the effects of climate change, particularly in Tajikistan, a highly-indebted post-conflict country which held 5 per cent of the global hydropower potential. Furthermore, this was the first time that international best practice on infrastructure resilience would be applied to a developing country on such a large scale. With regard to alternative energy sources, the AE representative said that EBRD was committed to supporting the efforts of Tajikistan to diversify its energy mix, while noting that as the country's only significant natural and renewable energy resource, hydropower was a natural path for it to pursue. EBRD was following an integrated approach, which included building the market for small-scale renewables by launching initiatives such as the Tajikistan Climate Resilience Financing Facility (CLIMADAPT), which it planned to scale up with support from the Sustainable Energy Financing Facilities Programme (SEFF), which had been approved for funding at the fourteenth Board meeting

241. The AE representative also highlighted the high level of country ownership and civil society participation throughout the eight years of project development, which had included media coverage, broad consultations, and household and business surveys identifying climate vulnerability needs at the household and community levels, with a strong gender dimension. With regard to the strong concern voiced on transboundary issues, they responded that the project was taking place in the framework of the Interstate Commission for Water Coordination of Central Asia, which had confirmed that the project had no transboundary effects, given that the project's activities would not affect the flow of the Syr Darya River. Nonetheless, the Uzbek authorities had been engaged and had expressed their support for the project as a positive development in transboundary water resource management. With regard to concessionality, EBRD had worked hard to achieve the right balance, providing the most appropriate level of concessionality, while maintaining affordable tariffs. EBRD was working in coordination with the Tajik authorities to ensure that tariff increases were kept at a modest level, while working towards a viable and sustainable commercial model; in order to achieve this, adequate concessionality was required from the GCF. The representative of the AE also said that EBRD was willing to address outstanding issues relating to the costing of ESS implementation following Board approval, and noted that the project had been deliberately structured so as to contribute to cross-border learning at the regional and international levels. With regard to mitigation impact, the AE representative clarified that the project had been classified by the Secretariat and the TAP as an adaptation project with mitigation co-benefits; the figure for total greenhouse gas emission reduction (which had not been set out in the proposal) amounted to 377,000 t CO₂ eq/year.

242. The Co-Chairs took note of the comments and suspended consideration of FP040.

Funding proposal 041 (FP041): "Simiyu climate resilience project" (Kreditanstalt für Wiederaufbau Bankengruppe)

243. A representative of the Secretariat introduced FP041, entitled "Simiyu climate resilient development programme", a project designed to increase the climate resilience of rural and urban households in the Simiyu Region, the United Republic of Tanzania, particularly women and small-scale farmers, through water provision and agricultural adaptation activities, and to improve policies and regulation for cross-sectoral action towards climate adaptation.

244. A number of Board members expressed support for the proposal, highlighting the significant contribution it would make to building climate resilience in an area severely affected by the effects of climate change. One Board member expressed satisfaction at the level of country ownership of the project, another praised the significant co-financing involved, and a further member underlined the vital importance of water to sustaining livelihoods.

245. Board members also raised concerns on the need to ensure that GCF funds were used to effectively promote adaptation and paradigm-shift and the importance of due regard for environmental and social safeguards. Some questioned the sustainability and transformational potential of the project. Several Board members said that the primary focus of the proposal was not adaptation, but development. They asked what value was added by GCF funding and why the project could not be funded by other institutions as part of development initiatives.

246. Other Board members, in contrast, underlined that this was a project in an LDC and said that vulnerability assessments carried out in the region had identified a mix of climate and non-climate-related factors, noting that it would always be difficult to differentiate between climate and development projects in view of the overlap between the two in such contexts. One Board member said that the Board tended to have a negative reaction to water projects, and emphasized that water was critical for survival and contributed to economic development, and thus fell clearly under the climate mandate of the GCF.

247. Various Board members stressed the need for funding proposals to better clarify how they responded directly to the mandate of the GCF, by explicitly setting out which elements related to climate adaptation and mitigation and stating why the GCF was the most appropriate source of funding. One Board member said that those arguments should be presented in terms of the competitive advantage of the GCF vis-à-vis other development institutions. A number of Board members reiterated the need to issue clearer GCF policies and guidelines on those issues to make it easier in future to determine the eligibility of funding proposals. Another Board member said that such policies were urgently required to help the GCF to tackle large-scale issues, such as mass migration resulting from climate change.

248. Several Board members expressed concern over the cost-efficiency of the project; some said that the concessionality (i.e. full grant) was excessive and not tailored to the incremental cost of adaptation, with one Board member highlighting that 70 per cent of the funding was allocated to a component that both the Secretariat and the TAP had deemed not to be fully climate-related. Another Board member said that the project followed a 'business-as-usual' model for the accredited entity, despite the stated objective to bring innovation to water and agriculture resilience.

249. A number of Board members expressed concern that many households would need to be resettled as a result of the project; one Board member requested the inclusion of a condition for resettlement plans to include the development of new agricultural lands, housing, education, infrastructure and other services for the resettled communities, as well as taking account of cultural heritage. One Board member endorsed the recommendation proposed by the TAP to provide a resettlement action plan. Another Board member noted the potential for conflict in the affected area and requested that the accredited entity take account of other pastoralist groups in addition to farmers.

250. Board members also raised questions about the extent to which users would be able to connect to the water service and afford the tariff, as well as about the commercial viability and sustainability of the project outcomes, the capacity of the executing entity to manage such large projects, the possibility of cost overruns, and the risk resulting from foreign exchange rate fluctuations. One Board member expressed concern that certain costs appeared to be provisional rather than final, and another asked whether procurement processes would follow GCF or Kreditanstalt für Wiederaufbau (KfW) rules. Another Board member said that some other entities working on the ground in the region were not aware of the proposal and underlined the need to ensure projects were fully integrated with existing activities in the region in order to promote synergies and avoid duplication.

251. A CSO active observer said that although a more compelling case could be made for the climate dimension of the project, the GCF should not separate climate change and development but rather address them holistically. They expressed concern that despite the claim in the

proposal that there were no indigenous people in the affected area, communities on the ground had reported that consultations had been limited and failed to take sufficient account of indigenous peoples living in southern Simiyu. Furthermore, the potential impact on pastoral areas, which were susceptible to conflict, had not been properly explained. Also of concern were the potential impact of agricultural intensification in areas where water was already scarce, and the lack of information provided in the proposal on sufficient transboundary communication with other countries relying on Lake Victoria as a water source. The observer also noted that water access for beneficiaries would depend on their willingness and ability to pay an undifferentiated water tariff; the project would not work if users chose not to connect to it. Lastly, they called for the project to fully take account of the needs of the indigenous Hadzabe, Taturu and Barabaig communities, which were among the most vulnerable in the Simiyu region, and emphasized the need to establish effective consultation and follow-up mechanisms in line with international law.

252. A representative of the Secretariat said that potential conflicts over resources had been identified in the environmental and social management framework and the resettlement framework, and noted that the GCF had an Independent Redress Mechanism to address such grievances if they arose.

253. The representative of the TAP said that, in the case of FP041, it was not possible to dissociate climate-related matters from development, and that solutions based on developing agricultural practices were justified in view of the frequent droughts and increasing water scarcity in the region. The climate rationale of the water supply component was justifiable based on the subsiding water table, a situation which was likely to further deteriorate in future because of climate change. In the view of the TAP, the project could be categorized as “development-plus”, similarly to others that the Board had previously approved.

254. In response to the questions raised by Board members, a representative of the accredited entity explained that costs were subject to fluctuation based on the results of the international procurement process, and that there was no foreign exchange rate risk because the tendering process would be carried out in euros. The costs relating to climate change had been clearly delineated and GCF funding was only being requested for incremental costs; to cover the remainder of the project, KfW and the Government of Tanzania would be contributing USD 40 million, which was larger than their usual funding envelope, and the sanitation component would be fully funded by the Government of Germany.

255. The AE representative added that no other source of grant financing was available to make the project viable. The consultation process had been extensive, especially with the most vulnerable groups; indigenous people were not present in the influence corridor of the water pipeline, but would nonetheless be taken into account as an important factor in the ongoing consultations. Regarding water tariffs, the AE representative said that affordability and sustainability had been considered, and pointed out that grant financing was needed to ensure that tariff income was sufficient to cover operations and maintenance. They also noted that the proposed water tariffs of EUR 0.50 m⁻³ would be far below the EUR 8.00 m⁻³ currently charged by some private water providers in the area, and that a water pipeline from Lake Victoria had been identified in studies as the most cost-efficient water supply source. While the proposed multisectoral approach was a new initiative for KfW, it was confident of its capacity to implement capacity-building activities and foster transformational change, based on its successful implementation of many other successful projects worldwide, including other water supply projects in the United Republic of Tanzania. Lastly, the representative of the AE explained that the applicable procurement rules would be those of KfW, as approved by the GCF.

256. In response to a question from the Board on the comparative advantage of the GCF in financing the project, KfW mentioned that the GCF had the ability to finance this project and no

other financiers could support it. One Board member disagreed with this argument made by KfW.

257. Another Board member asked whether beneficiaries could feasibly afford a higher tariff than the one proposed. A further Board member asked whether the water would be used for farming as well as household purposes, and requested clarification as to whether the beneficiaries of the project would include other agricultural communities such as pastoralists and hunter-gatherers as well as farmers.

258. A representative of the accredited entity clarified that the water supply component would only address immediate drinking needs, whereas the agricultural component would include the wider needs of farmers and other categories of pastoralists.

259. The Co-Chairs took note of the comments and suspended consideration of FP041.

Funding proposal 042 (FP042): “Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid Morocco” (Agence Française de Développement)

260. A representative of the Secretariat introduced FP042, “Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid Morocco”, submitted by Agence Française de Développement (AFD). The project aimed to reduce reliance on unsustainable groundwater resources in the Boudnib Valley area and address the water resource needs of subsistence farmers inside the oasis area and commercial agriculture users outside it, in the face of climate change.

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

262. Board members expressed doubts over whether the project responded sufficiently to climate-related objectives and voiced concerns over the performance of the proposal against the full set of investment criteria. In addition, Board members again stressed the need to establish a clearer definition of what constituted an adaptation project.

263. The risk of maladaptation was highlighted as a critical concern by many Board members, who questioned the sustainability of promoting irrigation development in a water-stressed area. A Board member noted with concern that the primary focus of the two funding proposals in Morocco (FP042 and FP043) was on water transfer between basins, which they considered a risky strategy. One Board member argued that GCF should promote the more sustainable use of water resources, rather than expanding them. Another Board member underlined the need to assess the project’s potential impact on future water availability. Board members underlined that GCF-funded water projects should target vulnerable populations, rather than the commercial use of water; one Board member said that in the project under consideration, the benefit to low-income communities appeared marginal.

264. A Board member questioned the use of grants instead of loans, especially in view of the project’s potential for revenue generation, the flow of benefits to commercial producers, and Morocco’s ability to borrow. Another Board member pointed out that the concessionality may have been calculated on the basis of the viability gap, but the information thereon had not been provided to the Board; they therefore requested AFD to disclose the relevant information.

265. One Board member said that, in terms of environmental and social safeguards, the project should have been considered category A rather than category B because the dam under construction was considered an associated facility with additional environmental, social and completion risks. The Board member requested that such projects be considered in future as category A and disclosed 120 days in advance of the Board meeting at which they would be considered.

266. One Board member asked why two very similar projects from the same country had been submitted in the same meeting, noting that the GCF appeared to be taking excessive responsibility for Morocco's irrigation sector. Another Board member noted that neither project appeared among the priorities listed in the Morocco Country Plan submitted to the GCF, and asked AFD to clarify how the project responded to the country's priorities. The same Board member said that the success of the project would depend on which private sector partner was selected, and suggested adding a condition giving the Secretariat control over the selection of the private partner, in order to guarantee transparency and avoid reputational risks.

267. A CSO active observer said that water for vulnerable people in the oasis areas must be clearly prioritized over commercial farm needs, and called for the inclusion of a mandatory plan for comprehensive stakeholder involvement in project implementation, including in the management of the water infrastructure and resources. While expressing satisfaction at the gender component of the project, the observer stressed the need to integrate gender concerns throughout the entire project, including by establishing targets for women's employment and training, women's access to water for household use, and leadership roles for women in water associations. The observer underlined the need to assess the sustainability of water removal from the dam reservoir and the potential impact on water allocation in other areas. The observer also expressed strong concern over the expansion of large-scale irrigated agriculture in an arid region, noting the need to use more suitable, less water-consuming crop varieties. Lastly, the observer requested clarification on how the acquisition of land for pipeline construction - and related compensation - would be handled.

268. A representative of the Secretariat said that the two dams under the two respective projects in Morocco were not considered as associated facilities by the accredited entities because they had been planned and executed before the development of the irrigation transfer distribution schemes. For the irrigation projects, the dams represented the starting point of the water transmission and therefore were considered as linked projects implemented by a third party.

269. A Board member replied that, to their knowledge, the dam was still under construction, but agreed to discuss the matter bilaterally.

270. A representative of the TAP expressed support for the project and noted that one-third of the water would be dedicated to supplying the oasis region, including both drinking water and water for agricultural purposes, and highlighted that increased water demand in the oasis region was one of the critical drivers of the project. The remaining two-thirds of the water would be used to support commercial agriculture outside the oasis region.

271. A representative of the accredited entity said that while the project did have a strong economic component, GCF funding was requested to fund incremental activities and focus on the vulnerable population in the oasis region through direct interventions such as socioeconomic development activities and the regularization of the wadis. The AE representative highlighted that the project would help Morocco to change the way that agribusiness was developed with respect to water, thanks to the introduction of aquifer contracts and improved monitoring of the water table, which would allow more informed decision-making. The AE representative further clarified that the project was aligned with Moroccan policies and plans, including regional plans, the Green Morocco Plan, the Date Development Plan and the Irrigation Development Plan, and underlined that, following Secretariat advice, water would be allocated giving priority to the population of the oasis, who would receive the first 10 million m³ of water.

272. The Co-Chairs took note of the comments and suspended consideration of FP042.

Funding proposal 043 (FP043): “Saïss water conservation project” (European Bank for Reconstruction and Development)

273. A representative of the Secretariat introduced FP043, titled “Saïss water conservation project”, which was aimed at improving the climate resilience of agricultural systems in the Saïss Plain (Morocco) by halting the fast-progressing depletion of the Saïss aquifer.
274. The Co-Chairs opened the floor for comments.
275. A number of Board members noted with concern that the primary focus of the project was on infrastructure; some suggested that more innovative and holistic approaches, including in-built capacity-building from the start of the project, would be preferable and have a better chance of success. Concerns were raised regarding the tariff structure, which did not seem to benefit the vulnerable populations most in need of support; Board members highlighted the need to ensure that the benefits, including concessionality, reached local communities and small-scale farmers. One Board member noted that under the current model, the benefits were instead likely to be weighted in favour of industry. The same Board member also highlighted the risk that the project could exacerbate the problem of illegal water pumping. Two Board members asked what would happen in the event that private partners did not show an interest in the project.
276. As in the previous discussion on FP042, some Board members questioned the sustainability of the project, noting that the project would lead to increased water demand in an already semi-arid area; they wished to know how long the surface water in question was likely to remain available and what the project would do to mitigate the risks.
277. A CSO active observer expressed concern that the project components relating to awareness-raising community involvement in water governance were only planned for the last phase of the project and urged the accredited entity to fully integrate those components from the very start of project implementation. Also of concern was the fact that EUR 204 million of the total project cost of EUR 206 million was dedicated to infrastructure costs, while only 0.6 per cent of the project cost was dedicated to community involvement, gender equality, climate-resilient irrigation service delivery and other water end-user advisory services; such a figure was inadequate to ensure the behavioural and societal change that would ensure the sustainability of the project.
278. The observer raised concerns about the accountability of the envisaged private sector partner to local communities under the proposed partnership, and asked how the communities would be involved in project implementation in gender-responsive ways, while also questioning what would happen to the project if an appropriate private sector partner could not be found. Lastly, the observer highlighted the need to pass on GCF concessionality to the end users of the project and noted that stakeholder consultations, which had involved only a small number of site visits and stakeholders, had been insufficient considering the scale of the project.
279. A representative of the TAP echoed the concerns of Board members over the considerable focus of the project on infrastructure, noting that the five-year involvement of the GCF would be over by the time that the results of the project could be seen. In the view of the TAP, it was therefore necessary to ensure that the bidding process for public-private partnerships (PPPs) was in line with the objective of the GCF to involve local communities in the project; while the tariffs needed to be economically viable for private-sector investors, they must also be acceptable and affordable to the vulnerable communities concerned. For those reasons, the TAP had imposed conditions aimed at guaranteeing the long-term sustainability of the project and ensuring the effective involvement of local communities, including by supporting local efforts to address climate change scenarios.

280. A representative of the accredited entity said that the project had strong national ownership as part of the Green Morocco Plan (Plan Maroc Vert). It was also innovative and transformational, given that it would transform the way in which water was used in the Saïss agricultural region and its scale would make it one of the largest PPPs in the world for water transfer and irrigation schemes. The partnership was low-risk since the Government of Morocco was highly experienced in establishing such partnerships and had adequate safeguards in place. Supporting vulnerable groups was a high priority for the Moroccan Government, which was aware of the way in which tariffs and other factors could affect social and political stability. The covenants addressing the tariffs under the project were the result of extensive negotiations with the Secretariat and the TAP, and the accredited entity was preparing safeguards to ensure that vulnerable groups were provided with support mechanisms during the design and implementation of the PPP. In Morocco, international best practices on sustainability were being applied and the project had been designed based on a thoroughly-researched evidence base, which showed that the Sebou Basin had a surplus that would allow it to remain sufficient even under the most extreme climate scenarios. The technical cooperation components of the project, including capacity-building and support for institutional development and community involvement, would accompany the project from the beginning. The accredited entity judged the allocation for technical assistance to be sufficient, but was open to discussion with Board members over whether it needed to be adjusted.

281. The Co-Chairs took note of the comments and suspended consideration of FP043.

Funding proposal 044 (FP044): “Tina River Hydropower Development Project” (World Bank)

282. A representative of the Secretariat introduced FP044, titled “Tina River hydropower development project”, which was aimed at constructing a hydropower dam to lower the average system cost of electricity supply in Solomon Islands, and diversifying the country’s generation capacity in favour of clean, renewable sources.

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

284. A number of Board members expressed support for the project, highlighting the project’s transformational potential to substitute fossil fuels and develop renewable energy pathways, the strong need for such a project in isolated SIDS, which were highly vulnerable to climate change, and the project’s high potential for emission reduction. Board members also highlighted its exemplary social and environmental impact analysis and thorough consultation with affected communities. Some praised the strong country ownership of the project, which was strongly endorsed by the Government of Solomon Islands and formed part of the country’s Intended Nationally Determined Contribution (INDC). One Board member praised the high scores of the project against the investment criteria and underlined that hydropower was a highly viable alternative to fossil fuels in SIDS.

285. Concerns were expressed over the cost-effectiveness of the project, with many Board members questioning the high level of concessionality offered. Noting that the project was originally designed as a bankable private-sector initiative and had only required public support owing to a fall in oil prices, one Board member questioned whether such a project should fall into the remit of the GCF; if so, guidelines should be developed to define the appropriate concessionality. The same Board member viewed the project as very expensive, even in the context of a post-conflict small island developing State, and highlighted that while the GCF could provide subsidies to make projects possible, it should not commit to locking-in prices that went beyond the incremental cost. The Board member questioned why the final tariff had been set at USD 0.22/KWh rather than USD 0.21/KWh, which amounted to an additional subsidy of USD 10 million for the developer, and asked what the cost of alternatives would have been. The Board

member said that they would find it extremely difficult to move forward unless those financial aspects were addressed.

286. Various Board members questioned the rationale for the GCF to be involved and the need for such a large grant component, in particular a grant to finance the construction of a road, and said that other sources of financing, such as the International Development Association (IDA), available to the World Bank would be more appropriate for such activities. One Board member replied that in SIDS, dam projects tended to be relatively small and it was difficult to secure funding for such projects from large institutions. The Board member noted that grants were needed to fund on-the-ground activities like road construction because of the high cost of implementing such activities in isolated SIDS, highlighting that financing models which were viable elsewhere could not be guaranteed to work in SIDS.

287. One Board member highlighted the need to prioritize human concerns over energy generation in the dam-operating procedures, and asked how the accredited entity would maximize the adaptation benefits, for example by mitigating the impacts of flash flooding. Two Board members said that strong ESS must be put in place, requesting that the proposal include a stronger statement of intent on impacts on communities and a clear allocation of funding for the implementation of ESS actions. Another Board member asked what environmental impact the dam would have on fish.

288. Questions were also raised regarding how the project would contribute to the further introduction of renewables and how potential cost overruns would be covered. One Board member requested a more thorough analysis of what innovative and effective business models could be applied, to serve as a model for private sector and other investments. Another Board member noted that the AMA was yet to be signed and asked what effect a delay could have on the project timeline. A further Board member requested that the commitment fee and service fee be charged following standards common to all projects, unless clear reasons were provided to justify an adjustment.

289. One Board member said that the Board's consideration of hydropower projects was inconsistent, noting that different arguments had been made when dealing with very similar funding proposals submitted at past Board meetings; while all projects had merits, they should be considered on the basis of the extent to which they aligned with the objectives of the GCF. The Board member also warned against engaging excessively in the politically-influenced discussion of funding proposals, highlighting that accredited entities may simply adapt the wording of projects to appeal to Board members' political preferences rather than strengthening the real merits of projects. Another Board member requested the Secretariat to assess the transformational value of all water projects in the pipeline.

290. A CSO active observer applauded the efforts made by the Government of Solomon Islands to proactively work with and secure the support of indigenous local communities, while also reiterating the concerns of civil society with regard to the principle of GCF financing for large hydropower initiatives, which were outdated, had significant environmental and social impacts, including through the emission of greenhouse gases such as methane, and were particularly vulnerable to climate change. Nevertheless, the observer acknowledged that FP044, as a modest-sized hydropower project with a limited local footprint and innovative benefit-sharing mechanisms for indigenous communities, in a SIDS country with the commendable objective of displacing expensive diesel, had a better chance of success than most hydropower projects.

291. In view of the specific characteristics that distinguished the project from 'business-as-usual' hydropower projects, the observer therefore expressed support for FP044 on an exceptional basis. At the same time, the observer expressed concern that no climate change vulnerability assessment had been disclosed for review and questioned the allocation of GCF funding for the construction of a road, which could not be classified as having added value or

transformational potential. They also expressed concern that the project costs may have been underestimated and asked how potential cost overruns would be covered, as well as underlining the need to formally protect the unique biodiversity hotspot located upstream of the project.

292. A representative of the Secretariat said that the service and commitment fees were set out in the term sheet and were in accordance with the GCF financial terms for high concessionality loans as set out in decision B.09/04.

293. A representative of the TAP said that FP044 was categorized as a small-sized hydropower project, and had met two of the panel's criteria for the approval of hydropower projects, namely that it was not expected to have disruptive social or economic effects on the population, and the reservoir would not emit more greenhouse gases than it displaced. The project fitted into the GCF results areas and that the TAP considered GCF funding to be transformational in this instance, given the need to secure financing for projects in isolated SIDS. Regarding concessionality, the rate of USD 0.22/KWh had been decided following a bid for the construction, on the basis of the sale price of electricity. The TAP representative also noted that Solomon Islands had one of the highest electricity costs in the world and that other renewable energy was intermittent and required expensive batteries, whereas the hydropower baseload would enable other types of renewable energy to be integrated into the grid. Lastly, the TAP requested the accredited entity to provide dynamic calculations of the project's performance in terms of greenhouse gas emission reductions, including annual studies and updates on the emissions baseline set by the project.

294. A representative of the accredited entity said that the project was expensive as a result of the high-cost environment. Least-cost analysis had been performed by the off-taker and the World Bank in the Honiara grid, which had found a combination of hydropower and solar power to be optimal. Without hydropower, solar power would be limited due to the intermittency of the source. The AE representative assured the Board that any potential cost overruns beyond the contingencies built into the budget, would be absorbed by the private developer and not reflected in end user tariffs. They noted that concessionality had been calculated based on the gap between economic and financial viability (known as the 'viability gap'), and assured that it would be passed on to the customers in the tariffs. The USD 0.22/KWh was a target set by the Solomon Islands Electricity Authority and the Government of Solomon Islands as part of efforts to reduce retail tariffs to the level of other countries. The representative of the AE also noted that the Solomon Islands Electricity Authority was working in parallel on solar energy development, and that the government was compliant with the ESS policies of the World Bank and the other co-financiers. The AE representative took note of the comments of the CSO active observer and said that work was ongoing to register the upper catchment as a protected area in line with the necessary customary process. Finally, the representative of the accredited entity said that although the access road construction had been presented as a separate component, the road formed an integral part of the project; the high climate resilience specifications justified the need for GCF finance.

295. The Co-Chairs took note of the comments and suspended consideration of FP044.

Funding proposal 045 (FP045): "Ground water recharge and solar micro irrigation to ensure food security and enhance resilience in vulnerable tribal areas of Odisha" (National Bank for Agriculture and Rural Development)

296. A representative of the Secretariat introduced FP045, titled "Ground water recharge and solar micro irrigation to ensure food security and enhance resilience in vulnerable tribal areas of Odisha", submitted by the National Bank for Agriculture and Rural Development. The project was aimed at enhancing groundwater recharge in community ponds through structural

adaptation measures and the use of solar pumps for microirrigation to ensure water security and food security in the vulnerable areas of Odisha State, India.

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

298. Board members expressed broad support for the proposal and welcomed its submission as the only proposal from a DAE under consideration at the current meeting. In view of the widely-recognized good quality of the proposal, one Board member requested the Secretariat to share its experience of dealing with FP045 with other direct access entities, to help to promote and expedite the submission of other good-quality proposals from other DAEs.

299. One Board member said that the use of grants was not clearly justified, particularly given that the International Bank for Reconstruction and Development would be providing a government-backed loan. The Board member suggested that the decision of the Secretariat to approve grants in this instance had been based on the assumption that the state was poor, which was a judgment call rather than an objective criterion, and questioned the viability of such an approach. The Board member also highlighted that the outcome of the proposed baseline studies on water tank renovation could have an impact on the time frame and costing of the project, and asked the Secretariat to explain whether and how that had been taken into account. A further concern was the lack of a clear implementation plan for the tank renovation component, which was to be financed by the Government of Odisha and an International Bank for Reconstruction and Development loan; clear evidence of effective coordination with other funders should be required as a condition for GCF funding. Lastly, the Board member noted that the proposed technology had only been used at an experimental scale, and that no evaluation had been planned to assess the risks involved in large-scale implementation. While the Secretariat had recommended that the implementation be scaled in stages, this was not reflected in the conditions, and no explanation had been provided of plans to mitigate the risk.

300. Another Board member expressed support for the conditions proposed by the Secretariat and the TAP, and additionally suggested that investments should be limited to community-owned resources (e.g. shared ownership of assets by farmers paying a fee), to prevent large-scale farmers from cornering the project's resources. Given that the water was to be used for drinking and household purposes, they also underlined the need for groundwater quality monitoring, which should be done on a regular and long-term basis to take account of seasonal differences.

301. The CSO active observer expressed support for the project, while calling for additional attention to be paid to community consultation, including of women. They said that community beneficiaries should be selected in coordination with community organizations in tribal communities, and specific, gender-disaggregated targets should be provided in the logic framework for the indicators on food security and waterborne diseases, so as to allow for more meaningful analysis of the data collected. The observer concurred with the TAP that environmental co-benefits in terms of improved soil and air quality and biodiversity had not been sufficiently elaborated, and that no specific activities to improve biodiversity had been included. Lastly, they noted that the proposal did not mention how the free, prior and informed consent of indigenous people had been obtained.

302. The representative of the Secretariat said that the grant instrument had been considered justified based on the adaptation benefits provided and the needs of the target beneficiaries in Odisha, which was one of the poorest states in India.

303. The representative of the TAP took note of the comments and said that they would be taken into account in future evaluations. While noting that further improvements could be made, the TAP had deemed the proposal's analysis of climate impacts and forecasts to be satisfactory, and considered the proposed technical solution to be innovative. While there was

also room for improvement on community consultations, the TAP noted that the concerns of civil society had been well documented.

304. A representative of the accredited entity said that stakeholder consultations had been appropriately conducted, and noted the strong community participation component of the project at all levels; ponds would be owned by the local bodies in the respective villages, in which women had 50 per cent representation, and each pond would have a water users' association. They further explained that the vertical recharge to be installed would be 3.5 m deep, with 2 m below the ground and 1.5 m above, so as to maintain the original water level of the pond, and that this water would be utilized for animal drinking and irrigation purposes. Finally, in response to the concerns expressed on groundwater quality, the representative of the AE said that the average use of fertilizer by farmers was very low, training in organic farming would be provided in the areas surrounding water tanks, and groundwater quality would be monitored on a regular basis.

305. The Co-Chairs took note of the comments and suspended consideration of FP045.

Funding proposal 046 (FP046): “Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities” (United Nations Development Programme)

306. A representative of the Secretariat introduced FP046, titled “Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities”, a climate-smart, landscape-based project combining improved water access and resource management with livelihood diversification to enable the most vulnerable men and women and their households to adapt to more frequent drought, submitted by the United Nations Development Programme (UNDP).

307. While recognizing the high vulnerability and significant needs of Ethiopia and the commitment of its government to combating the effects of climate change, many Board members expressed strong reservations about the proposal. Based on the negative assessment by the TAP and several other concerns, a number of Board members recommended the non-approval of the proposal. Several Board members said that cohesion and synergies between the various different elements of the project were severely lacking; one asserted that the project was based on standard rural development practices and lacked innovation, and another doubted whether the project in its current form would be able to address the needs of the country. Others raised the concern that the project was not sufficiently geared towards climate-related objectives, reiterating that while all climate change investments would bring sustainable development benefits, the converse was not always true.

308. With regard to financing, a number of Board members said that the level of grant funding was excessively high; one highlighted the need for strict scrutiny of the sustainability and replicability of such a costly project. A Board member said that the climate additionality and incremental costs were unclear, and another considered that it was essentially a rural development project which would better suit a development finance institution rather than the GCF. Another Board member said that the proposed in-kind contributions from the recipient were opaque in nature; a further Board member underlined the need to establish GCF policy to define and evaluate in-kind co-financing.

309. A Board member said that the country lacked the enormous institutional capacity required to ensure the success of such a complex integrated rural development initiative. Another Board member questioned the absorptive capacity of Ethiopia and questioned whether sufficient attention had been paid to coordination with other projects. Others questioned the feasibility of the activities and asked for clarification on how implementation would be managed. One Board member noted that the proposed structure allowed for community

decision-making but information was lacking on how the activities would be adapted to the different local contexts. One Board member criticized the accredited entity for what they viewed as a disrespectful and culturally insensitive description of women in Ethiopia.

310. Various Board members expressed concern that the role of the accredited entity appeared to be limited, with some questioning whether the entity had been used as a vehicle to secure more financing than the country's own accredited direct access entity, bypassing the accreditation limits imposed by the GCF.

311. On the other hand, a number of Board members expressed support for the proposal, asserting that while the structure of the project had some deficiencies, it still merited approval overall. One Board member commended the commitment of the Ethiopian Government to building the resilience of its most vulnerable population, and another highlighted the country's severe needs, which the project would help to address. Various Board members praised the project's comprehensive and integrated approach, gender component, environmental safeguards, high transformational potential and attempt to address food security issues; one said that the project used a similar approach to the programmatic clean development mechanism, which had been considered to have high transformational value. Another Board member said that the proposal's focus on reinforcing sustainability and replicability set a good example for other proposals to follow. One Board member asked why the needs of the country had been rated as "medium" by the TAP.

312. A Board member said that the project targeted a range of drivers of vulnerability and that even if certain aspects were not directly climate-related, the approach should be considered valid for the GCF, especially given the diverse range of challenges facing a country such as Ethiopia. Another Board member highlighted that the mandate of the GCF under the UNFCCC included taking risks on new approaches in its efforts to meet the severe needs of countries affected by climate change. One Board member challenged the assertions of some Board members that the climate dimension of the project was insufficiently strong, noting that the proposal responded to drought and related problems caused by climate change, and that each component had a climate dimension.

313. Highlighting that a large amount of financing would be required to respond to global adaptation needs, a Board member noted that similarly large grants had been given to other projects and requested clarification as to the rules applied in those cases. One Board member said that according to GCF policy, the full incremental cost for adaptation may be funded and stated that such funding should be grant-based to the furthest extent possible. Another Board member further added that the Board's approval of projects with large grants in the past had set a precedent. One Board member said that if the standards being applied to FP046 were applied to all proposals, none of the proposals currently under consideration would be approved, and stressed the need to clearly define which activities and costs were eligible for funding. One Board member said that if a smaller amount of funding had been requested in the proposal, the level of scrutiny of the concessionality or the financial instrument would have been much lower.

314. With regard to whether the proposal could be approved, some Board members said that FP046 should be approved with the necessary conditions, given that other proposals had also been approved with a large number of conditions attached. Other Board members asserted that, with so many conditions on critical elements of the design, it was questionable whether the amended project could be considered the same as the original; one Board member questioned whether UNDP and its Ethiopian partners would be willing to go forward with the project with so many conditions attached, and another suggested that the project should undergo a new submission process. Another Board member said that continuing to impose conditions would be futile, and called for urgent efforts to address outstanding policy issues and revise processes as necessary, including by empowering the Secretariat to play a greater role in project screening, so as to avoid similar situations in future. The same Board member emphasized the acute needs

of beneficiary countries and extensive resources invested in project development, and expressed regret at the failure of the Board to effectively communicate to stakeholders the exact requirements that a project must meet in order to secure Board approval.

Discussion on the proposal approval process

315. A discussion ensued on the appropriate approach for dealing with proposals that had received a negative assessment from the TAP: some Board members said that they should not be submitted to the Board; several others highlighted that the TAP had an advisory role and said that since the final decision lay with the Board, the projects should nonetheless be submitted for formal consideration; one Board member noted that if projects were not submitted to the Board, the project stakeholders would not be able to seek recourse through the Independent Redress Mechanism and requested that this be taken into account in the review of the proposal approval process. Others said that Board members were sufficiently experienced to challenge the findings of the TAP as they saw fit; and one Board member suggested that the Secretariat and the TAP should raise issues with the Board for their discussion as they were identified, in advance of the submission of funding proposals for formal consideration. In view of the lack of convergence on the issue, a Board member suggested that a committee or similar deliberative mechanism should be set up to decide how to deal with proposals that had received a negative TAP assessment. Another Board member highlighted the need to establish a mechanism stipulating how to proceed following the rejection of funding proposals by the Board.

Observer statement

316. A CSO active observer highlighted the importance of the proposal's objective to build the resilience of the most vulnerable populations in drought-stricken areas, and noted with appreciation its gender-responsive approach, while requesting more detail on how the community benefits would be secured and decision-making would be strengthened at the community level. The observer noted that the project had a number of weaknesses: for example, some of the proposed components and subcomponents lacked clarity, and improvements could be made on the knowledge-sharing and learning aspects of the project. The observer also requested confirmation that stakeholder engagement had been conducted in a comprehensive manner and in line with GCF standards, including free, prior and informed consent; this information was currently unclear because certain project documents had been issued on a limited-distribution basis. Nonetheless, the observer said that despite the project's weaknesses, the assertion made by some Board members that the project was a collection of disparate activities was misguided: large mitigation proposals with several components were usually welcomed by the Board and the TAP as transformative, programmatic approaches; therefore, in an adaptation context, the same courtesy should be given to attempts to address adaptation in a holistic manner. In the view of civil society, FP046 was an integrated project and should be improved as appropriate and granted the opportunity to succeed. Lastly, the observer said that the role of UNDP in supporting national entities as part of the project was in line with the calls by the Board to establish mentoring partnerships between international and direct access entities; this should therefore be viewed as a positive, rather than negative aspect of the project.

Responses to Board members' comments

317. A representative of the Secretariat highlighted that according to the initial proposal approval process, all complete and compliant funding proposals were submitted to the Board for its consideration and decision. The Secretariat did not have delegated authority to decide against submitting a funding proposal to the Board.

318. A representative of the TAP highlighted that the role of the panel was to give advice based on the technical aspects of proposals, and reaffirmed that the needs of the recipient were not in question; the “medium” rating given to the needs of the recipient section of the assessment was based on the fact that only a small proportion of Ethiopia’s districts were targeted by the project.

319. A representative of the accredited entity said that its role in the project was the same as that in its other approved projects; UNDP would be managing the project under its national implementation modality, according to its own rules and procedures. It had assessed the execution capacity of the Ministry of Finance and Economic Cooperation of Ethiopia, the executing entity, and rated it as low-risk. The multi-activity structure was based on lessons from the accredited entity’s 10 years of adaptation experience in Ethiopia, which had highlighted the need to address multidimensional needs relating to vulnerability. With regard to absorptive capacity, the AE representative said that the woredas (district-level entities that would be managing project funds) were currently managing budgets of USD 5 million per year and the project would constitute only a 15 per cent increase in those budgets; moreover, according to its capacity assessment, they were capable of managing much more. In the view of UNDP, it was preferable to build on the country’s existing administrative structure rather than build a new one; the project had therefore been designed in a way that could be accommodated into Ethiopia’s well-functioning federal structure, which UNDP was confident would be sufficient to achieve the desired results. An operations and maintenance plan for early warning systems was already in place as part of an existing project aimed at strengthening climate resilience information systems in Ethiopia. Finally, the representative of UNDP confirmed that the proposed conditions were acceptable.

320. The Co-Chairs took note of the comments and suspended consideration of FP046.

321. The meeting was adjourned.

Consideration of amended funding proposals: part I

322. At a later point in the meeting, the Co-Chairs reopened the agenda item and drew the attention of the Board to document GCF/B.16/07/Add.10/Rev.02 (confidential), which contained the amended list of conditions attached to funding proposals based on the earlier discussion of each funding proposal. They invited the Board to approve the proposals as amended.

323. A number of Board members expressed concern at the large number of conditions attached to the proposals. One Board member asked whether the conditions were approved in different categories, and if so, whether that had any effect in terms of who could clear or remove those conditions. Another Board member objected to the current practice of attaching long lists of conditions to proposals at the approval stage and called for the adoption of an improved approach by the next Board meeting following best practices by other funds. For example, funding proposals that did not meet the requirements of the GCF could be sent back to AEs for revision rather than being approved with large numbers of conditions. The same Board member also questioned the Board’s ability to enforce the fulfilment of such conditions. Another Board member proposed using best practices from other organizations to reduce the number of conditions, and asked whether the conditions put forward by the Board reflected the policies of the GCF or the concerns of individual Board members; the latter could give rise to unequal treatment of funding proposals. Another Board member noted that in legal terms, the implementation of the conditions was a binding contractual requirement. One Board member, however, noted that some conditions were inevitable as they referred to concerns that could only be satisfactorily addressed at a later stage. Moreover, they expressed confidence in the Secretariat’s role and ability to ensure that conditions were met and reflected in the implementation agreements.

324. The Co-Chairs noted that the conditions were consolidated in a single set and not categorized by level of importance. With regard to the other queries raised, they proposed to consult on the matter outside the plenary session.

325. The meeting was adjourned.

Consideration of amended funding proposals: part II

326. On the final day of the meeting, the Co-Chairs reopened the agenda item and drew the attention of the Board to document GCF/B.16/07/Add.10/Rev.02 (confidential), which contained the amended list of conditions attached to funding proposals based on the earlier discussion of each funding proposal. On the basis of the amended document, the Co-Chairs invited the Board to approve funding proposals FP038, FP039, FP040, FP041, FP042, FP043, FP044, FP045 and FP046 on an individual basis.

327. Noting that FP038 was the first 'fund-of-funds' proposal that had been submitted to the Board, and highlighting the need for the EIB to raise an additional USD 500 million worth of investment before project implementation could begin, a Board member proposed to approve FP038 as a pilot programme, with the proposed USD 250 million worth of GCF funding contingent on the success of the EIB in raising the additional investment required within a given time frame. In the event that the funds were not raised in time, the GCF would be able to reclaim the funds for allocation to other projects. In response, another Board member expressed concern that such an approach may reduce the potential for the EIB to secure the required additional funding from investors.

328. A Board member questioned whether, if a similar proposal to create a 'fund-of-funds' project was presented by a local or national institution instead of an international entity, the Board would consider the proposal in such a favourable light. They also asked whether it might be possible for accredited entities to upgrade their accreditation level to be able to deal with larger quantities of funding. The same Board member called for the establishment of a deadline of 120 days following the approval of funding proposals during which the relevant AMA must be concluded; failure to do so should result in automatic revocation of approval.

329. A number of Board members proposed the following compulsory timeline for the EIB to raise the necessary investment: the EIB must raise a first tranche of USD 250 million within two years, bringing the total funds to USD 500 million, and then raise the final tranche of USD 250 million by the end of year three. Another Board member asked what the remedial action would be in the event that the EIB failed to meet those deadlines.

330. A representative of the Secretariat clarified that the GCF funding would be immediately deployed on the ground after the signing of the FAA. The Secretariat would work with the EIB on the legal documentation required to limit the amount of subsidy that would go against the fundraising in the event that the EIB failed to raise the target of USD 500 million.

331. The Co-Chairs said that the proposed deadlines would be published and built into the project as a contractual obligation. On that basis, the Co-Chairs invited the Board to approve FP038 as amended.

332. The Board approved FP038 as amended.

333. Subsequently, FP039 was approved with no further discussion.

334. Following a query raised by a Board member regarding whether a condition proposed in the discussion related to the acquiescence of neighbouring countries in sharing the water basin had been included in FP040, the Secretariat responded that the condition had been included, in the form of a written confirmation by the accredited entity rather than no-objection letters from those countries. In the absence of further queries, FP040 was approved.

335. FP041, FP042 and FP043 were approved with no further discussion.
336. Regarding FP044, a Board member stated that the construction of transmission lines was a cost eligible for the GCF to finance, and that the same applied to similar infrastructures like pipelines or catchments for surface water. In the absence of further queries, FP044 was approved.
337. FP045 was approved with no further discussion.
338. Subsequently, a discussion ensued on FP046.
339. Four Board members stated that they could not approve FP046 for the reasons stated earlier in the Board's consideration of the proposal. One Board member said that they would have been willing to approve the proposal if all the concerns raised by Board members had been reflected in the list of conditions; since this was not currently the case, the Board member could not approve the proposal. Highlighting the severe needs of the recipient and the effort and commitment made by the Government of Ethiopia to bring the proposal to the current stage, three Board members encouraged the Board to find a way forward that would allow for prompt resubmission of the proposal if it was not approved. Of these, two expressed support for the proposal with the proposed conditions, while underlining that the conditions would fundamentally alter the project.
340. Other Board members expressed support for the proposal, with three Board members stating that it was of good quality. One Board member questioned why there were doubts over whether the project was sufficiently climate-oriented, given that it was aimed at supporting vulnerable communities affected by climate change. Four Board members acknowledged the deficiencies of the project but recommended its approval, noting that the conditions imposed were adequate and emphasizing the urgent needs of the recipient. One Board member said that many such deficiencies were present throughout the portfolio and were a symptom of the Board's lack of action to address policy gaps.
341. In view of the lack of consensus, a Board member requested clarification as to how the Board would decide whether to approve or reject the project. A number of Board members made suggestions on how to proceed, with some Board members stating that the Board neither approve nor reject the proposal, but instead find a third approach. One Board member suggested that the proposal should be sent back to the accredited entity for further development and improvement, with a view to resubmitting it at a later meeting, and underlined that this should be the default procedure for all such cases. Others said that the project should be simply rejected, noting that it would be preferable for the accredited entity to submit a new and better proposal, rather than move forward with the current proposal peppered with weighty and numerous conditions.
342. One Board member said that neither the urgent needs of the recipient nor the support of the Board for sustainable development were in doubt, and recalled that the task of the Board was to analyse the technical advantages and disadvantages of the proposals, noting that the Board should refrain from making decisions based on political motives.
343. Another Board member said that the GCF was not a standard bank, but a fund derived from the UNFCCC designed to give the least developed countries special consideration in terms of finance and technology. Highlighting the difficulty in differentiating between adaptation and development in cases where poverty was the cause of people's vulnerability to climate change, they said that the project was a good example of integration between development and adaptation and should receive finance. A further Board member reiterated that the current situation was a symptom of the failure of the Board to effectively communicate to stakeholders the exact requirements that a project must meet in order to secure Board approval.

344. The Co-Chairs took note of the comments from the Board and suggested that the accredited entity should be given the opportunity to revise and resubmit the proposal based on the guidance provided by the Board.

345. Two Board members objected to the Co-Chairs' suggestion, stating that UNDP should not revise the current proposal but instead should submit a new funding proposal if it saw fit to do so. They also highlighted that if the accredited entity and the Government of Ethiopia were to submit a new proposal, the lessons learned from the current discussions would put them in a position to move faster through the submission process the next time around. Another Board member underlined that consensus had not been reached and said that if the proposal were approved after so many reservations had been expressed by Board members, it could affect the Board's credibility.

346. Another Board member expressed support for the Co-Chairs' suggestion and stated that the current deadlock was attributable to the Board's failure to resolve policy gaps and to the precedents it had set on funding decisions, which had created high expectations for project approval. On that basis, the Board member said that the accredited entity should be given the opportunity to revise the elements of the proposal that had been deemed deficient and resubmit it to the Board.

347. One Board member highlighted that if the project stakeholders deemed the Board to have been unjust in its treatment of the proposal, they could seek redress through the Independent Redress Mechanism, and therefore called for the relevant procedures to be proactively explained to the accredited entity and the country.

348. The Co-Chairs noted that consensus had not been reached and suggested that the Board include in its decision a request to the Secretariat to work with the accredited entity to bring back to the Board, as soon as possible, an improved proposal for consideration. They clarified that if there was no consensus on that suggestion, then the item would be closed.

349. Consensus was not reached on the suggestion made by the Co-Chairs.

350. In the absence of consensus, the project was not approved.

Policy statements and general comments on the wider portfolio

351. The Alternate Board member from the United Kingdom stated for the record that they objected to the level of grant funding for funding proposals 038 (EIB GEEREF NeXt), 042 (AFD Morocco), 043 (EBRD Morocco), noting that they would send the details of those objections to the Secretariat in writing.⁴ Another Board member requested, in reference to the issues raised during the discussions on funding proposals 042 and 043, that the GCF develop more comprehensive policies with respect to water development projects. The Board member from the United States of America expressed reservations on funding proposals 041, 042 and 043, noting that they would send the details of those reservations to the Secretariat in writing.^{5,6,7} Another Board member proposed that, in all cases where the 120-day deadline for the signature of the funded activity agreement was not met, the approved funding for the project should be de-committed. One Board member said that the large volume of outstanding policy issues must be resolved before the Board considered future funding proposals. Another Board member

⁴ The United Kingdom registers an objection to the level of grant funding requested in Funding Proposals FP038, 042, 043. In these three instances, the UK does not consider the level of grant funding to be justified.

⁵ The United States, in light of the lack of a concluded resettlement action plan, registers an abstention on Funding Proposal 041.

⁶ The United States, in light of the inadequate disclosure of an Environmental and Social Impact Assessment of a Category A associated facility, registers an abstention on Funding Proposal 042.

⁷ The United States, in light of the inadequate timing of disclosure of an Environmental and Social Impact Assessment of a Category A associated facility, registers an abstention on Funding Proposal 043.

noted with concern that, in contrast with the procedure followed at other financial institutions, accredited entities were not given time to take account of the concerns of Board members before putting forward a proposal that aimed to address them.

352. A CSO active observer stated for the record that large dams did not have a place in the GCF, and that civil society was opposed to the approval of the proposal for a dam in Tajikistan (FP040). They also expressed concern over the Board's inconsistent consideration of funding proposals; notably, that some mitigation proposals with limitations had been approved, while the adaptation proposal in Ethiopia (FP046) - which they acknowledged also had limitations - had been rejected. Their constituency viewed it as unhelpful to draw a strict dichotomy between development and adaptation activities, and looked forward to participating in discussions at the following Board meeting both on that issue and on policy gaps in the approval process.

Further discussion on FP046

353. A Board member expressed disappointment in the Board's inability to reach a decision on FP046 and stated for the record that GCF funds should be used only for the project's climate-related activities as identified by the Secretariat, and that the remaining activities should be funded by the Government of Ethiopia, a model of good governance that had transformed its economy and shown climate leadership. That approach would bring the GCF-funded component of the project down to USD 65 million. The Board member also proposed the attachment of conditions requiring the project's governance and coordination structure to be strengthened, and requiring key documents to be prepared to the satisfaction of the Secretariat in advance of the first disbursement. While those conditions would overhaul the nature and scope of the project, it would nonetheless remain an important project, and would crucially gain the necessary approval from the Board.

Discussion on procedures to follow in the absence of consensus

354. An extensive discussion ensued on the meaning and consequences of failure to reach consensus on a funding proposal, with some Board members asserting that in practical terms, a lack of approval was equivalent to a rejection, and others asserting that a lack of approval left a proposal in a pending situation where it could legitimately be revised and resubmitted.

355. By way of comparison, one Board member said that funding proposal 032 (UNDP Bangladesh) which had been submitted for consideration at B.15, had been sent back to the accredited entity for revision and resubmission.

356. The Co-Chairs clarified that FP032 had not been rejected by the Board, but withdrawn by the accredited entity during the course of Board discussions at B.15. For FP046, the only option on the table had been approval of the funding proposal; the option of rejection had not been presented. Given that no consensus had been reached on approving FP046, the only conclusion that could have been reached was that it had not been approved. The Co-Chairs noted that based on that result, the accredited entity and the Government of Ethiopia were free to choose how to proceed.

357. A Board member reminded the Board that the Governing Instrument mandated the Board to develop decision-making procedures in the absence of consensus; since the matter was still unresolved, they urged the Board to develop those procedures as a matter of urgency.

358. Another Board member said that in an effort to facilitate consensus, they had refrained from voicing certain reservations on other funding proposals, and that if they had been aware of all the points raised during the current discussion, they would have taken a different approach. Some Board members said that no decision should be taken until the decision-making procedure had been clarified.

359. One Board member stated for the record that while no consensus had been reached on approval, nor had consensus been reached on rejection. Another Board member stated for the record that a third option (i.e. requesting the accredited entity to revise and resubmit the proposal) had been proposed but not accepted by the Board.

360. In order to clarify the apparent ambiguity over the decision-making procedures of the Board, a legal opinion from the General Counsel was sought by a Board member.

361. The General Counsel said that, pursuant to decision B.07/03 on the Initial Proposal Approval Process the Board was given three options: the Board shall decide to (1) approve, (2) approve with conditions, or (3) reject the funding proposal. All three options were listed as decisions. Since the Board took decision by consensus, it could be argued that each of those three options needed to be taken by consensus. The policy did not address what should happen if there was no consensus on any of those three options; further analysis on that matter was required from a legal perspective, in consultation with the Co-Chairs.

362. A discussion ensued over the meaning and material consequences of the opinion given by the General Counsel and questions were raised over whether or not it contradicted earlier statements on decision-making procedures. One Board member suggested that since no consensus had been reached on any of the three options mentioned by the General Counsel, the Board should refrain from taking any decision. They also stressed that if the Board applied policies and standards in an inconsistent manner, its credibility could be severely damaged.

363. One Board member asserted that regardless of the outcome of the discussion, clear guidance should be provided to the accredited entity and the Government of Ethiopia on its options for how to proceed.

364. The Co-Chairs said that the draft decision before the Board had been to approve FP046 and that there had been no consensus to approve the project. They also recalled that, during the discussion the Co-Chairs had suggested that another option was for the proposal to be withdrawn, and that that suggestion had not been approved. The Co-Chairs reaffirmed that there had been no consensus to approve FP046. They reiterated that the comments made by Board members would be reflected in the report of the meeting and that the legal advice from the General Counsel would be provided in writing.

365. The Board took note of document GCF/B.16/07 and Add.01/Rev.01-09 (general distribution), Add.10/Rev.02 and Add.11/Rev.02 (confidential) and Add.12-17 (limited distribution) titled "Consideration of funding proposals".

366. The Board adopted the following decision:

DECISION B.16/02

The Board, having considered document GCF/B.16/07 titled "Consideration of funding proposals":

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

- (i) *Funding proposal 038 titled "GEEREF NeXt" by the European Investment Bank, as contained in document GCF/B.16/07/Add.10/Rev.02;*
- (ii) *Funding proposal 039 titled "GCF-EBRD Egypt renewable energy financing framework" by the European Bank for Reconstruction and Development, as contained in document GCF/B.16/07/Add.11/Rev.01;*
- (iii) *Funding proposal 040 titled "Tajikistan: scaling up hydropower sector climate resilience" by the European Bank for Reconstruction and Development, as contained in document GCF/B.16/07/Add.01 and 15;*

- (iv) *Funding proposal 041 titled “Simiyu climate resilience project” by KfW Bankengruppe, as contained in document GCF/B.16/07/Add.02 and 15;*
- (v) *Funding proposal 042 titled “Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid Morocco” by Agence Française de Développement, as contained in document GCF/B.16/07/Add.03 and 15;*
- (vi) *Funding proposal 043 titled “The Saïss water conservation project” by the European Bank for Reconstruction and Development, as contained in document GCF/B.16/07/Add.04 and 15;*
- (vii) *Funding proposal 044 titled “Tina river hydropower development project” by the World Bank, as contained in document GCF/B.16/07/Add.05 and 15;*
- (viii) *Funding proposal 045 titled “Ground water recharge and solar micro irrigation to ensure food security and enhance resilience in vulnerable tribal areas of Odisha” by the National Bank for Agriculture and Rural Development, as contained in document GCF/B.16/07/Add.06 and 15; and*
- (ix) *Funding proposal 046 titled “Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities” by the United Nations Development Programme, as contained in document GCF/B.16/07/Add.07 and 15;*

- (b) *Approves funding proposal 038 for the amount of USD 265,000,000, submitted by the European Investment Bank, subject to the conditions set out in annex I and in the term sheet set out in document GCF/B.16/07/Add.10/Rev.02;*
- (c) *Also approves funding proposal 039 for the amount of USD 154,700,000, submitted by the European Bank for Reconstruction and Development, subject to the conditions set out in annex I and in the term sheet set out in document GCF/B.16/07/Add.11/Rev.01;*
- (d) *Further approves funding proposal 040 for the amount of USD 50,000,000, submitted by the European Bank for Reconstruction and Development, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15;*
- (e) *Approves funding proposal 041 for the amount of EUR 102,700,000, submitted by KfW Bankengruppe, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15;*
- (f) *Also approves funding proposal 042 for the amount of EUR 20,000,000, submitted by Agence Française de Développement, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15;*
- (g) *Further approves funding proposal 043 for the amount of EUR 31,970,000, submitted by the European Bank for Reconstruction and Development, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15;*
- (h) *Approves funding proposal 044 for the amount of USD 86,000,000, submitted by the World Bank, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15, except for clause 20, Terms and Conditions Applicable to the GCF Loan;*
- (i) *Mandates the Secretariat, for funding proposal 044, to finalize prior to the execution of the funded activity agreement, the terms and conditions of the loan component in a manner consistent with the following terms pursuant to decision B.09/04:*
 - (i) *50 per cent high concessional loan; and*
 - (ii) *50 per cent low concessional loan.*

- (j) *Approves funding proposal 045 for the amount of USD 34,357,000, submitted by the National Bank for Agriculture and Rural Development, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.16/07/Add.15;*
- (k) *Decides that there was no consensus to approve funding proposal 046;*
- (l) *Requests the Secretariat to assess the conditions set out in annex I and, in the event any such condition is considered by the Secretariat to be inconsistent with GCF policies, the Secretariat shall make a recommendation to the Board for further guidance and pending such guidance, the relevant condition shall be deemed not to apply;*
- (m) *Decides that if the conditions to be met prior to the execution or for the effectiveness of the funded activity agreement to be entered into in respect of each funding proposal have not been fulfilled within the time frames set out in annex I or the respective term sheet, the approval of such funding proposals shall be subject to reconsideration by the Board;*
- (n) *Requests the Secretariat to prepare a report on the conditions and time frames of all projects approved by the Board and the status of implementation for consideration by the Board no later than its eighteenth meeting;*
- (o) *Reaffirms that pursuant to annex VII to decision B.07/03 (annex VII to document GCF/B.07/11), 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 approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and*
- (p) *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: Private Sector Facility: potential approaches to mobilizing funding at scale

367. The Co-Chairs opened the agenda item in an executive session and introduced limited distribution document GCF/B.16/10/Rev.01 titled “Establishing a programmatic framework for mobilizing funds at scale”.

368. A full report on this agenda sub-item is included in the limited distribution addendum to the report.

369. A limited distribution decision was adopted under this agenda item:

- (a) **DECISION B.16/03** on potential approaches to mobilizing funding at scale.⁸

Agenda item 16: Status of the staffing of the Secretariat

370. The Co-Chairs opened the agenda item and introduced document GCF/B.16/11 titled “Report on the status of the staffing of the Secretariat”.

371. They invited representatives of the Secretariat to take the floor.

372. The first representative presented an update on the status of staffing reminding the Board that the goal was to have 140 positions filled by 31 December 2017. As at 4 April 2017,

⁸ See document GCF/B.16/24/Add.01 (limited distribution) for more information.

the total number filled was 97. Of positions filled, operational divisions (the Mitigation and Adaptation Division, the Private Sector Facility, the Country Programming Division, Executive Director and Communications) accounted for 43 per cent. Support on institutional, legal, financial, administration, risk, compliance and audit accounted for 57 per cent of the current staff total. The increase in staffing represented a consistent net growth of no less than 25 per cent for each quarter. Furthermore, the Secretariat had successfully recruited several senior level positions, including two directors, two Mitigation and Adaptation Division Coordinators, a Deputy Director of the PSF, several Results Area Specialists, plus Heads of Risk Management, the Portfolio Management Unit and the Internal Audit Unit.

373. A second representative of the Secretariat provided further details on staffing. Regarding geographical and gender distributions, the geographical balance was good and the Secretariat was continually working towards achieving a balance on gender. Based on a recruitment firm's information on the attractiveness of the GCF as an employer, four key concerns were identified: (1) professional and social isolation; (2) support for family life; (3) environmental hazards; and (4) compensation. Another concern was related to the current public policy landscape. In order to overcome such challenges, the Government of the Republic of Korea and Incheon Metropolitan City provided much appreciated support, and internal efforts such as the Family Working Group and spousal employment support were continuing. Moreover, the Human resource guidelines (hereinafter referred to as the HR guidelines) were currently under review in consultation with staff members. The aim was to present the final version at B.18.

374. Regarding leavers, the second representative of the Secretariat said that there had been four resignations since January and so the trend had accelerated a little. However, 2017 also marked the year when many staff members were coming to the end of their three-year contracts.

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

General comments

376. Several Board members commended the Secretariat on the progress which had been made in what was a challenging task. A member of the Budget Committee acknowledged the hard work of the Secretariat to recruit the best talent. The Board member from Japan congratulated the new Executive Director in his efforts to empower and staff the Secretariat. Said member stated that the Japanese Government was fully supportive of the expansion in staff numbers to the Secretariat's optimal level and shared the concern over the obstacles faced in attracting and retaining quality staff. They would continue to work with the Secretariat using various tools, including public relations, to meet the challenges. Another Board member also encouraged the Secretariat to continue to recruit from a range of cultures. On gender balance, noting a small decline in numbers of female staff, a Board member highlighted the important role of the HR guidelines as an important tool.

Requests and queries

377. While congratulating the Secretariat on its achievements, another Board member wished to know if there had been exit interviews to measure the impact of working conditions on staff members' decisions to leave. They also noted that in recent meetings there had been discussion on the creation of a Communications Director position but that this was not mentioned in document GCF/B.16/11. They requested an update. In view of the point made by the representative of the Secretariat regarding concerns at changes in the public policy landscape they sought further clarification. On spousal employment being an issue, a Board member noted that this was a general problem for expatriates globally. However, they asked for

more information on any specific practical obstacles to their employment, such as work permits. They also asked about challenges in recruiting staff to the Accreditation team, noting that there were no accreditation proposals for consideration by the Board at B.16. Was there a way to strengthen that team? Another Board member asked why the GCF appeared to be facing more difficulties than other comparable organizations in Songdo. They requested the Secretariat's views on compensation, since of the four factors mentioned as concerns for prospective candidates (family issues, environment, professional isolation and compensation); this was the only factor that could be easily changed. Another Board member wondered if the Board had worked hard enough to make work sufficiently interesting and challenging to motivate people to join the Secretariat and then to stay. In addition, they asked if the Board had done enough to make it easy for staff when they travelled by ensuring that the GCF had international status.

Response from the Secretariat

378. The main issue surrounding spousal employment was language as there were few jobs in Songdo where Korean was not required and it was a challenging language to learn at the level needed for employment. The Secretariat was providing support to spouses to help to mitigate the difficulties. Regarding the GCF position in terms of attractiveness as an employer relative to other comparable organizations, the GCF was being compared with cities such as Washington, D.C. and New York, both in the United States of America, and Geneva, Switzerland, not just Songdo. Gender balance was being addressed by the HR guidelines under development with a particular focus on attracting and retaining more female applicants. A significant family leave policy and a new education assistance policy were being considered. Finally, a new survey of staff members' views on working conditions was currently being undertaken.

379. On the question of the public policy landscape, the Executive Director said that, based on information received from the recruitment consultancy firm, there was a sense that momentum in the climate field had peaked at the 2015 United Nations Climate Change Conference in Paris and had begun to flag in a number of countries. It was suggested that some potential candidates may wonder if now is the time to take such a career step and join the GCF, with this perceived waning of interest in the sector. On the question of the Communications Director position, this would be covered in the paper on the proposed Secretariat structure.

Coordination offices

380. Several Board members discussed the possibility of establishing regional coordination offices. One Board member felt that this was not a short-term priority. Another Board member, while recognizing the need for such offices as GCF operations expanded, highlighted the potentially significant impact this would have on the Secretariat's budget. The Executive Director explained that this was not in the proposed work programme of the Secretariat for 2017 but instead reflected comments made by Board members on previous occasions. In the light of the discussion earlier in the meeting on building support for direct access entities and projects, a case could be made to provide for regional assistance. This could also have the benefit of improving the efficiency of GCF operations. The cost need not be high as it may be feasible to work through existing offices in the regions and possibly even using staff from other organizations. A further possibility was to use former GCF staff as ambassadors in this role. The Executive Director informed the Board that official correspondence had just been received from the President of Namibia addressed to the Executive Director expressing an interest in hosting a GCF African regional office. The offer included privileges and immunities and office space. The Co-Chairs stated that they would arrange for some analysis of the proposal and would then consult with Board members before discussing a response with the Executive Director.

New staff

381. Elsewhere during the meeting the Co-Chairs extended a warm welcome to Ms. Jyotsna Puri, as incoming Head of the Independent Evaluation Unit. Separately all new staff members were invited to enter the Boardroom and were warmly welcomed to the GCF family by Board members and the Co-Chairs. The Co-Chairs asked the new staff to take the opportunity of having Board members, alternate members and advisers on site, to talk with them during the week.
382. There being no further comments, the Board took note of document GCF/B.16/11.
383. The Board adopted the following decision:

DECISION B.16/04

The Board, having considered document GCF/B.16/11 titled "Report on the status of the staffing of the Secretariat":

Notes the contents of the report.

Agenda item 17: Status of resources of the Initial Resource Mobilization period

384. The Co-Chairs opened the agenda item and introduced document GCF/B.16/Inf.10 titled "Status of the Initial Resource Mobilization process".
385. They invited a representative of the Secretariat to take the floor.
386. The Secretariat representative provided an overview and explained that the overview focused on two categories:
- (a) Commitment authority- the total amount of available resources in the GCF Trust Fund (in United States dollars) for funding decisions by the Board in the form of cash and promissory notes (PNs); and
 - (b) The forecast of cash available on an annual basis.
387. As at 31 December 2016, the total resources in cash and PNs stood at USD 3.396 billion. The total value of funding decisions was USD 1.531 billion. Therefore, the balance of the Board's commitment authority as at 31 December 2016 was USD 1.865 billion.
388. The forecasted commitment authority for 2017 was USD 2.447 billion. When this was added to the 2016 figure (USD 1.865 billion), the total forecasted commitment authority for the Board's funding decisions was USD 4.312 billion. Assuming all funding proposals were approved at B.16 (with an approximate total of USD 855 million), there was ample commitment authority for those funding decisions. Furthermore, if the Board was to approve further funding proposals during 2017 worth between USD 2 million and USD 2.5 billion that was well within the forecasted commitment authority for the year.
389. Turning to the forecasted cash available for disbursement at 31 December 2017, this stood at USD 1.953 billion. This would accumulate with the cash already received by end of 2016 of approximately USD 1.9 billion. Forecasted cash needed for disbursement in 2017 stood at USD 215 million to USD 330 million. Thus, the Board had sufficient cash available for disbursement during 2017.
390. The Co-Chairs opened the floor for comments.
391. A Board member proposed that the Board urgently consider how to increase the income of the GCF given that it faced shrinking resources with no cash by 2020 and no PNs by 2023. In

this regard, they congratulated and cited the European Investment Bank as a model for the GCF stating that it was proactively networking, identifying climate funds and working with countries to develop projects and combine sources of finance and to blend public and private financing. It was leveraging its own funds to mobilize private sector finance by targeting private sector liquidity in its resource mobilization. The EIB was everything they hoped that the GCF would become. It was also critical for the GCF to think in new ways especially as sovereign finance was no longer what it was when the GCF launched its Initial Resource Mobilization (IRM) process. They noted that the GCF was “transformative” as multilateral institutions such as the EIB, the World Bank, regional development banks and UNDP were now “transforming” into recipients of GCF funding rather than being in the donor column when it came to climate finance. Said Board member stated that there was USD 6.75 trillion in cash held by corporations listed in equity markets in the United States, Japan, Europe and the Republic of Korea which the GCF was not pursuing. Part of this cash could be mobilized by the GCF for a direct access portfolio. They proposed a special facility based on direct access to mobilize particularly the idle corporate cash held by a relatively small number of high-tech companies. As a proactive example in this area, they cited Nicaragua’s national-level efforts partnering with private equity firm WindRock Wealth Management on a reforestation project using various financial sources, including corporate liquidity, venture capital, insurance, high net worth individuals and philanthropies. Said Board member suggested that an ad hoc working group be established to mobilize this idle corporate cash reserve. While recognizing that alternate members could not make such proposals they requested that the Co-Chairs give serious consideration to this matter.

392. The Co-Chairs thanked the Board member and requested a copy of the proposal be sent to them.

393. Another Board member thanked the representative of the Secretariat for the presentation which confirmed that the GCF was on track in terms of commitment authority. They requested a copy of this - and all presentations- a matter which they had raised at earlier Board meetings.

394. The Co-Chairs confirmed that the Secretariat would be asked to provide a copy of this presentation and all other presentations to the Board as a standard part of their operating procedure.

395. Another Board member wished to thank those governments which had made contributions in 2017 and expressed a hope that outstanding contributions be expedited by the governments concerned. Said Board member noted that now was the time for the Board to plan how to spend its resources. They requested that a GCF business plan be developed for 2018 on a similar basis to the aspirational goal for 2016 (USD 2.5 billion) as 2018 was the last year of the IRM period. They asked that TOR be developed to make this happen within the next two Board meetings.

396. A question about the different forms of pledges in the pledge tracker – signed, disbursed cash or deposited PNs, and their legal effects – was raised by another Board member.

397. The Co-Chairs requested that this be discussed outside the plenary sessions, a request which was accepted by the Board member concerned.

398. There being no further comments the Board took note of document GCF/B.16/Inf.10.

Agenda item 18: Competitive process for the selection of the Permanent Trustee

399. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/12 titled “Competitive procedure for the selection of the Trustee”. This contained a

proposal to establish an ad hoc committee of the Board to take forward the work on a selection process for a Permanent Trustee, as it had not been possible to reach an agreement on the documentation on the terms of reference for the selection procedure due to the complexity of this matter. They invited the Board to adopt the draft decision contained in annex I to the document and opened the floor for comments.

400. A Board member highlighted the need for a highly judicious approach when selecting the Permanent Trustee in view of the large quantity of resources for which the Trustee would be responsible. They expressed concern that the selection process was behind schedule, especially given the need to allocate time for an effective handover process between the Interim and Permanent Trustees, and called for the ad hoc Trustee Selection Committee to be immediately established and set to work. Lastly, the Board member underscored the need to consider applications for trusteeship from entities from both the global South and the global North on an equal footing.

401. The Co-Chairs took note of the comments and reaffirmed that the ad hoc Trustee Selection Committee would start work immediately and would work expeditiously to ensure that the necessary progress was achieved in time for the following meeting of the Board. The Co-Chairs also noted that the proposed committee would be composed of two Board members from developing countries and two from developed countries.

402. A Board member invited the ad hoc committee, immediately following its establishment, to consult their delegation for assistance on ensuring that the TOR included the ability to monitor and safeguard the investments of the GCF in line with the mandates of the GCF and the Paris Agreement. Another Board member said that the proposed ad hoc Committee should take account of the necessity for GCF investments to meet the highest possible environmental and social standards and highlighted the need to prevent GCF investment in fossil fuels.

403. A number of Board members expressed support for the draft decision and acknowledged the great importance of the task of selecting an appropriate Permanent Trustee and the urgent need to make progress on establishing the Trustee selection process.

404. A Board member said that while the Permanent Trustee must be selected through a free and competitive procurement process, in line with UNFCCC decision 3/CP.17, it was also essential to ensure that the Trustee had the appropriate experience, expertise and capacity to meet the practical and legal requirements of the role.

405. Emphasizing the need for the ad hoc committee to reach quorum at its meetings so that swift progress could be achieved, a Board member proposed the addition of a footnote to its terms of reference authorizing its members to designate a replacement in cases where they were unable to attend a meeting. Three Board members expressed support for the inclusion of the proposed footnote. One Board member objected to the inclusion of a footnote to that effect, given the need to remain consistent with the Rules of Procedure. A number of Board members expressed agreement with the principle of allowing committee members to appoint a deputy when necessary, while also noting the need for equity and fairness in the procedures among all Board committees, especially given that other committees also faced difficulties reaching a quorum for meetings.

406. A CSO active observer welcomed the proposed establishment of an ad hoc Trustee Selection Committee and expressed strong support for the call from certain Board members to ensure that no GCF funds were invested in fossil fuels.

407. The Co-Chairs took note of the comments and proposed that further consultations on the matter should be held outside the plenary session of the meeting.

408. The item was adjourned.

409. The Co-Chairs reopened the item on the third day of the meeting.

410. The Co-Chairs confirmed that following consultations the following Board members would be appointed members of the committee: Mr. El-Arini, Mr. Zaheer Fakir, Mr. L. McDonald and Mr. Mikio Mori. They thanked them for volunteering to serve on this committee.

411. On the question of the challenges facing committees in reaching a quorum, the Co-Chairs proposed that consultations, including any impact on the Rules of Procedure and the work plan for the Secretariat, should be held on that issue between B.16 and B.17, taking into account the upcoming review of those committees as mandated in decision B.05/13 and that a proposal should be submitted to the Board at B.17.

412. They invited the Board to take note of document GCF/B.16/12 and to adopt the draft decision contained in annex I to the document.

413. The Board took note of document GCF/B.16/12.

414. The Board adopted the following decision:

DECISION B.16/05

The Board, having considered document GCF/B.16/12 titled “Competitive procedure for the selection of the Trustee”:

- (a) *Establishes the ad hoc Trustee Selection Committee as an ad hoc committee of the Board in accordance with paragraphs 2(g) and 30 of the Rules of Procedure of the Board;*
- (b) *Adopts the terms of reference of the ad hoc Trustee Selection Committee as set out in annex II;*
- (c) *Appoints the following four members of the Board to the ad hoc Trustee Selection Committee:*
 - (i) *Mr. Omar El-Arini;*
 - (ii) *Mr. Zaheer Fakir;*
 - (iii) *Mr. Larry McDonald; and*
 - (iv) *Mr. Mikio Mori; and*
- (d) *Requests the ad hoc Trustee Selection Committee, with the support of the Secretariat, to convene immediately to begin its work.*

415. Later on in the third day of the meeting, the Co-Chairs invited the chair of the ad hoc Trustee Selection Committee to report to the Board on its initial progress.

416. The chair of the ad hoc Trustee Selection Committee, Mr. Fakir, said that, following his appointment as chair, the committee had discussed its organization of work and programme of activities and decided that the committee would require further meetings to complete its work to a high standard. The committee also agreed to seek the Board’s approval to have a decision between meetings related to the TOR for the selection of the Permanent Trustee, the selection process and criteria, and the time frame for the selection process. If a between meetings decision was not possible, the committee would bring a proposal to B.17. In order to authorize it to do so, the committee proposed the following amendments to its terms of reference: deletion of “for approval by the Board at its sixteenth session” in paragraph 4(b), (c) and (d).

417. A Board member expressed concern over potential conflicts of interest relating to the Trustee selection process, highlighting that certain members of the ad hoc committee had ties to and/or came from donor countries to the World Bank, which was a candidate for the position of Permanent Trustee. The Board member requested that transparency and conflicts of interest be

adequately taken into account in the committee's terms of reference, which should subsequently be resubmitted to the Board for approval.

418. The Co-Chairs took note of the comments and reaffirmed that the work of the ad hoc committee would be closely monitored by the Board. Transparency would be paramount throughout the trustee selection process and the ad hoc Committee would play a purely advisory role; all decisions related to its work would be submitted for Board approval. On that basis, the Co-Chairs invited the Board to approve the proposed amendments to the terms of reference for the ad hoc Trustee Selection Committee.

419. In the absence of objections, the Board approved the proposed amendments to the terms of reference.

Agenda item 19: Policies on the formal replenishment process

420. This agenda item was not opened.

Agenda item 20: Update on the GCF risk management framework

421. This agenda item was not opened.

Agenda item 21: Matters related to accreditation

(a) Status of accreditation matters

422. This agenda sub-item was not opened.

(b) Update on matters related to accreditation framework and policy

423. This agenda sub-item was not opened.

(c) Accreditation master agreements

424. The Co-Chairs opened the agenda sub-item in an executive session and introduced documents GCF/B.16/14 and GCF/B.16/14/Add.01 (limited distribution) titled "Status accreditation master agreements: approval AMA with the European Bank for Reconstruction and Development (Recommendations from the Risk Management Committee)".

425. A full report on this agenda sub-item is included in the limited distribution addendum to the report.

426. A limited distribution decision was adopted under this agenda sub-item:

(a) **DECISION B.16/06** on accreditation master agreements.⁹

(d) Fiduciary compliance policies

427. This agenda sub-item was not opened.

⁹ See document GCF.B.16/24/Add.01 (limited distribution) for more information.

(e) Performance review of the members of the Accreditation Panel

428. This agenda sub-item was opened in an executive session.¹⁰

429. A report on this agenda sub-item is included in the limited distribution addendum to the report.

Agenda item 22: Performance criteria and measurement procedures for Board-appointed officials

430. This agenda item was not opened.

Agenda item 23: Interim work plan and interim budget of the Independent Evaluation Unit

431. The Co-Chairs opened the agenda item and introduced document GCF/B.16/18 titled “Interim work plan and interim budget of the Independent Evaluation Unit”.

432. They welcomed Ms. Puri as Head of the IEU and a Board-appointed official and invited her to make a presentation.

433. The Head of the IEU reminded Board members that the original decision was for the IEU to present a work plan and budget at B.16. Given the very short time in Ms. Puri had in her post, she explained that it was proposed instead that an interim work plan and interim budget be presented at this meeting with the objective of presenting a finalized work plan and budget at B.17.

434. Ms. Puri provided a slide overview of the objectives of the IEU, the interim work plan for March to June 2017, the budget for the four-month period, an IEU organization chart, and the draft decision. The key areas of focus over the next four months, and indeed beyond were likely to be as follows:

- (a) Setting up the IEU;
- (b) Starting work on the Independent evaluation policy;
- (c) Building and strengthening evaluation capacity (internal and external); and
- (d) Identifying key elements of the three-year rolling work plan.

435. The Co-Chairs thanked the Head of the IEU for the overview, noting that having all the Heads of the Independent Accountability Units now in post marked a very important step for the Board.

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

General comments

437. Board members warmly welcomed the Head of the IEU and underlined the importance of monitoring and evaluation and the unit to GCF. The IEU would be important in improving the quality of the work of the GCF but even more importantly, in ensuring that higher quality projects were submitted to the GCF. For one Board member evaluation was the only way to judge whether the world was a better place because of the GCF. Was the GCF delivering real world impacts? The Board member stated that at previous meetings Board members had

¹⁰ See footnote 9 above.

underlined the importance of setting the GCF as the gold standard in the field of climate finance; good quality independent evaluation was central to that objective. In this regard, the Board member highlighted that monitoring and evaluation needed to be built in from the beginning in projects and the portfolio. They also underscored the importance of ensuring that the IEU was ensuring impact evaluations at the beginning rather than criticizing the absence of good quality information at the end. Another Board member noted that for delegations with limited staff resources it was reassuring to know that this kind of independent evaluation would now be undertaken. Experience from the Global Environment Facility and the Adaptation Fund was that evaluations had provided important lessons which informed policy reviews, replenishment and fund-raising strategies. For the fifth and sixth reviews of the Financial Mechanism, an independent GCF evaluation had been missing.

438. Several Board members expressed support for the draft decision.

Comments on the work plan and budget

439. Several Board members supported the interim work plan and interim budget, noting that the work plan contained the appropriate elements which would generate useful evidence for the Board. One Board member welcomed the focus on applying the lessons learned from its evaluations and asked that the IEU talk to other climate funds. Another Board member also welcomed the emphasis in the document on learning from others, including knowledge hubs, and suggested that they could discuss this further with the Head of the IEU outside the plenary. Specifically, on the budget, two other Board members asked about the figures in annex II to the document of USD 310,000 for salaries and consultant fees, of which USD 240,000 was for salaries for one unit head and two assistants. They requested a breakdown of this figure. The Head of the IEU responded that these numbers were indeed annual figures since predictability needed to be built into contracts that are provided to staff.

440. One Board member requested that the Board support an addition to the interim work plan. Namely that there should be a formal evaluation of two of the GCF original programmes (i.e. the initial project approval process and accreditation). Said Board member reminded the Board that it had discussed the issue of accrediting more DAEs during the Board retreat in Songdo on Monday, 3 April, 2017. Such an evaluation would provide an important basis for achieving this goal. However, while fully recognizing the importance of evaluating internal processes, for another Board member the role of the IEU should only be the evaluation of projects (i.e. the external work of the GCF). On this point, another Board member suggested that there could be another mechanism other than evaluation which could address the issue of few DAEs being accredited.

441. Another Board member suggested that Board members' individual priorities could be identified in the context of the consultation on the work plan. The Board could then take a decision in terms of prioritizing what should be evaluated first. In terms of priorities, another Board member requested that the Head of the IEU focus on a desk review of the Secretariat's divisions before turning to AEs, NDAs/FPs, delivery partners and civil society.

442. One Board member highlighted a key role for the IEU in reviewing the evaluation plans in funding proposals. This has been a consistently weak part of funding proposals and they asked that the IEU engage at an early stage and proactively with entities, particularly incorporating impact evaluations from the outset. This was echoed by another Board member who highlighted the importance of ensuring that projects and programmes had the right elements included from the outset so that they could be effectively evaluated. Said Board member also highlighted the role of evidence-based decision-making. They recommended that this should be at the forefront in determining what to evaluate. They also expressed support for the proposal from the IEU to work with other evaluation groups to build on best practices in developing an evaluation policy. In developing this policy, they recommended that the IEU take

account of the GCF performance management tools and the role the policy could play within that suite of tools.

443. Furthermore, since the quality of evaluations depended on information coming to the GCF from projects and AEs, another Board member encouraged entities to work with the IEU.

444. A CSO active observer expressed support for the work plan for the IEU. In line with evaluation units in other institutions, they stated that the GCF must maintain the capacity to provide an element of internal learning by reviewing GCF policies and procedures. They requested that the Head of the IEU should emulate the example of the Independent Redress Mechanism and conduct comprehensive consultations with stakeholders, including with civil society observers, for example through a public call for input and consultation sessions.

445. The Co-Chairs invited the Head of the IEU to take the floor.

446. Ms. Puri expressed thanks to Board members and active observers for their comments. On the question of the interim budget and the interim work plan she explained that the idea was to give staff some predictability for a period longer than four months. As to comments on quality assurance, evidence-based policy, the challenges of looking at processes and consultations, she welcomed the strong endorsement from the Board. The Head of the IEU informed Board members that this would be laid out in the Independent evaluation policy which would articulate the vision and strategy of the IEU. Regarding the work plan elements, the IEU would present optional priorities at B.17 to enable Co-Chairs and Board to prioritize.

447. The Board took note of document GCF/B.16/18.

448. The Board adopted the following decision:

DECISION B.16/07

The Board having considered document GCF/B.16/18 titled “Interim work plan and interim budget of the Independent Evaluation Unit”:

- (a) *Approves the work plan and budget of the Independent Evaluation Unit for March to June, 2017 as contained in document GCF/B.16/19 and annex III (total budgeted amount of USD 370,930), respectively;*
- (b) *Authorizes the Head of the Independent Evaluation Unit to undertake consultations as required to present a complete work plan and budget for 2017 at the seventeenth meeting of the Board; and*
- (c) *Also authorizes the Head of the Independent Evaluation Unit to undertake consultations to inform the outline of the Independent evaluation policy and undertake processes to set up the Independent Evaluation Unit.*

Agenda item 24: Updated terms of reference for the Independent Redress Mechanism

449. The Co-Chairs opened the agenda item and introduced document GCF/B.16/20 titled “Updated terms of reference of the Independent Redress Mechanism”. On behalf of the Board, they thanked the Head of the Independent Redress Mechanism Unit, Mr. Lalanath de Silva, and his team for beginning work promptly and consulting widely.

450. They invited Mr. de Silva to present the updated TOR for the Independent Redress Mechanism.

451. The Head of the Unit presented the main highlights from the updated terms of reference. Mr. de Silva emphasized that only “necessary updates” were being suggested as mandated by

the Board. He indicated that the guiding principle had been brought together in one paragraph, while no changes were made to the two main functions of the Independent Redress Mechanism. The Head of the Unit stated that the updates clarified the role of the EAC which was not in the current TOR. Mr. de Silva also drew the attention of the Board to several updates to the modality for redress for affected persons and groups. These included allowing individuals to complain, enabling the IRM to initiate investigations under limited circumstances when people were aggrieved by perceived adverse impact of GCF projects, allowing complaints about harm and likely harm and clarifying how problem-solving would be used to address complaints.

452. The Co-Chairs thanked Mr. de Silva for his presentation and opened the floor for comments on the draft decision before the Board.

General comments

453. Several Board members expressed thanks to the Head of the Unit and his team for the excellent work that had been undertaken in a very short period. They commended a well-designed consultative process, a point also echoed by a CSO active observer, who cited it as an example of best practice. Board members broadly supported the updated TOR as a substantial improvement.

454. A member of the EAC expressed thanks to their chair, Mr. Shasly, and other members of the committee and Secretariat staff for their efforts, including sometimes at anti-social hours. The updated TOR before the Board was the result of these combined efforts. Other Board members also expressed thanks to the chair and committee for their work.

455. The chair of the EAC noted that the TOR had been subjected to scrutiny by the committee and there had been three iterations of the document. The chair stated that the EAC was consulted but that the Independent Redress Mechanism was entirely independent and did not report to the committee.

456. A CSO active observer also welcomed the revised TOR to enable the Independent Redress Mechanism to move closer to being fully operational and serving the purpose of the GCF. The revised TOR made important changes which would ensure that it was accessible, transparent, predictable, equitable, legitimate and rights-based.

Specific comments and suggestions

457. A Board member, noting that a section of the document was still under review, requested that the document make clear that funding decisions could only be reconsidered when the decision not to approve was based on non-compliance with a policy or procedure of the GCF, not because of a disagreement with the judgment of the Board. While the Board was not infallible, it was important not to open the door for redress connected with Board judgments. This view was supported by two other Board members, one of whom asked to what extent the experience of the Adaptation Fund had been taken into consideration in the updated TOR as this was very relevant to the GCF. One Board member stated that the Independent Redress Mechanism could become active in all cases of adverse impacts of GCF operations and should also be able to initiate an investigation. As the GCF project cycle process evolved, there would be a need to make adjustments which should be closely monitored. In this regard, the Independent Redress Mechanism needed to be linked to the project termination and cancellation policy, not yet in existence.

458. Another Board member said that their constituency would have preferred to have a panel to make decisions on redress issues but could support the current proposal. On a separate point, they noted that the TOR did not outline a modality for an NDA or government to raise issues arising in the implementation phase, after approval by the Board. It did not contain a

provision for NDAs or governments in developing countries to seek redress over violations of GCF policies or ESS by accredited entities. To say that the country had issued an NOL at the time of submission should not mean that a government was prevented from raising concerns regarding ESS if they developed during the project's life cycle. This modality would be relevant in terms of redress such as transboundary impacts. They requested the inclusion of this provision in the TOR.

459. A Board member stated that the opportunity for recipient countries to seek redress was very important. They wished to know what process could be followed if a proposal was disapproved because of a lack of consensus in the Board due to political reasons or other non-policy issues. How would the Independent Redress Mechanism Unit make a judgment to recommend a proposal to the Board for reconsideration?

460. Another Board member reminded the Board that the GCF, following extensive negotiations between the Parties to the UNFCCC, had not ended up as a compensation fund but a fund designed and created to implement international law. All Parties agreed to implement the UNFCCC and its protocols and the GCF was set up to do this, both for adaptation and mitigation. There were high expectations that countries impacted by climate change could bring projects to the GCF and have them approved. The Board member stated that the TAP and Secretariat did not have the authority to determine whether projects, which met GCF policies, were brought to the Board for consideration; if they met the criteria of the GCF they must be brought to the Board. They further stated that not all decisions made by the Board were based on technical or fiduciary standards and that some had a political dimension; as such it was critical for the Independent Redress Mechanism to be fully operational as soon as possible to enable the Board to be fully accountable to the COP. Finally, they noted that in terms of reconsideration of funding proposals, this was a very important part of the arrangement between the COP and the GCF. Said Board member requested that all Board members and the Head of the Independent Redress Mechanism Unit respect the text negotiated between the Parties to the UNFCCC.

Guidelines

461. Another Board member, and member of the EAC, reminded Board members that the chair of the EAC and the Head of the Unit faced a mammoth task in developing guidelines to govern the work of the Independent Redress Mechanism. It had taken the committee considerable time to determine which matters should be incorporated in the Independent Redress Mechanism's updated TOR and which in the guidelines. It was important to bear in mind that, as per the clause in the TOR, it was not a court of appeal and therefore its role had to be communicated very clearly. To this end, the guidelines needed to be developed as a high priority and published on the Independent Redress Mechanism's web pages, once that part of the GCF website had been created.

Document text

462. Regarding the tenure of the Head of the Unit, a Board member stated that they could support the text in square brackets in annex II, paragraph 7, to the document which stated that: "To ensure independence of the office, the incumbent may not be removed from office during his/her term, except for [malfeasance or mental incapacitation]". The exception as stated could be supported.

463. Said Board member requested that the first sentence of paragraph 8 in the same annex be clarified from "A request can be filed by a developing country" to "A request can be filed by an NDA from a developing country".

464. Another Board member suggested that paragraphs 10 and 15 of the same annex could be removed.¹¹ They also suggested that the use of “may” in both paragraphs was unnecessary. It was the Board’s prerogative to take steps to implement recommendations or not to implement such recommendations. Legal experts may argue that the Board ‘should’ implement such recommendations. The Board must ensure that it remains free to make its own decisions and is not to be restricted in any way. The Board member stated that they could support the decision if it were amended accordingly.

465. A CSO active observer requested that the GCF create a compensation fund or include a provision in its funding agreements that created a fund to be used for redress when it was necessary, given that accountability mechanisms were critical to ensure that projects did not harm communities. To this effect, they suggested the language be amended to “shall consider IRM recommendations” rather than “may”. This would not bind the Board but would ensure that the recommendations were considered.

Cooling off period for the Head of the Independent Redress Mechanism Unit

466. Regarding the question of the proposed ‘cooling off period’ for the Head of the Unit, several Board members supported instating an 18-month period to this effect. One Board member said they could support a longer period.

467. A CSO active observer stated that there should be a lifetime ban on the Head of the Unit being employed by the GCF after their term. The Head of the Unit was distinct from other Board-appointed officials, and a lifetime ban was essential to maintain the mechanism’s independence and was in line with best practice in other mechanisms.

468. The Co-Chairs stated that comments had been noted and suggested further consultations outside the plenary. A Board member suggested that this be done expeditiously and then brought back to the Board for a decision.

469. The Co-Chairs adjourned the agenda item, which was subsequently not reopened.

Agenda item 25: Administrative matters

(a) Report on the execution of the administrative budget of the GCF as at 31 December 2016 and the 2016 unaudited financial statement of the GCF

470. This agenda sub-item was not opened.

(b) Adjusted administrative budget for 2017

471. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/21/Rev.01 titled “Work Programme of the Secretariat for 2017 and adjusted administrative budget”. Noting that a presentation covering the agenda sub-item had been given earlier in the meeting, the Co-Chairs invited the Board to adopt the budget and opened the floor for comments.

472. A Board member expressed concern that despite increased internal staff capacity at the Secretariat, the budget contained a request for USD 8 million to cover the cost of contractual

¹¹ Document GCF/B.16/20, annex II, paragraph 10: “The Board may consider the request in view of the report and may take steps to implement the recommendation of the IRM”. Document GCF/B.16/20, annex II, paragraph 15: “The Board may consider the grievance or complaint in view of the report and may take steps to implement the recommendation of the IRM”.

services. Given that further adjustments could be made to the budget later in the year, it would be preferable for the Secretariat to request a smaller figure as a starting point and request additional resources only if necessary. On that basis, the Board member was opposed to the adoption of the budget as presented.

473. The Secretariat gave a presentation showing a breakdown of the requested increase in resources for contractual services. The requested increases were as follows:

- (a) USD 0.5 million by the Office of the Executive Director for an external consultancy firm:
 - (i) To assess the current capacity of the Secretariat;
 - (ii) To identify the Secretariat's needs; and
 - (iii) To recommend options to improve delivery capacity and organize its structure to meet its mandate;
- (b) USD 0.85 million by the Country Programming Division for advisory services to augment the Secretariat's capacity to advise and support NDA/FPs in the delivery of Readiness and Preparatory Support Programme activities;
- (c) USD 0.5 million by the Private Sector Facility, which comprised:
 - (i) USD 0.35 million for PSF strategy, mapping of climate space and a PSF road map; and
 - (ii) USD 0.15 million for three regional structured dialogue events;
- (d) USD 0.6 million by the Office of the General Counsel primarily for external counsel for projects which had been approved up to B.15;
- (e) USD 0.5 million by the Office of Risk Management for the reengagement of external consultants to further evolve the risk management and compliance framework, guidelines and policies following the addition of the compliance function to the Office of Risk Management coupled with increased involvement of the office in the accreditation process, and USD 0.2 million for third-party risk assessment opinions; and
- (f) USD 0.2 million by the Chief Financial Officer/Division of Support Services for professional recruitment firms as the Secretariat continued to strengthen its internal capacity.

474. The Co-Chairs requested the Secretariat to send a copy of the presentation as a flash drive to Board members for their reference.

475. A Board member said that while their delegation endorsed the need for strict fiduciary oversight, it considered the proposed expenditure on contractual services to be justified in the current circumstances, noting that all expenditure and the corresponding results would be closely monitored. Another Board member expressed support for the proposed budget increase and strongly emphasized the need to further strengthen the capacity of the Secretariat, especially in the area of accreditation.

476. A Board member thanked the Secretariat for the presentation on the budget breakdown. However, they stated that it was difficult to justify the increases proposed when there was already sufficient funding available within various budget lines for the Secretariat. They noted that some divisions were doubling their budget requests but questioned whether the increases were translating into results. They reminded Board members that the Board had approved USD 50 million at the last Board meeting for the Readiness and Preparatory Support Programme. Now the Country Programming Division was requesting a further USD 1 million. They emphasized the need to guarantee efficient use of resources by ensuring that prior to the allocation of funds by the Board, all necessary tools were in place for their effective management. They asked the Board to be extremely careful when considering such requests.

Said Board confirmed that they would not block the approval of the adjustment to the 2017 administrative budget but wished to record their concerns in the report of the meeting.

477. The representative of the Secretariat took note of the concerns raised by Board members.
478. The Co-Chairs invited the Board to take note of document GCF/B.16/21/Rev.01 and adopt the draft decision contained in annex I to the document.
479. The Board took note of document GCF/B.16/21/Rev.01.
480. The Board adopted decision B.16/01 on this matter together with agenda item 9 titled “Work programme of Secretariat for 2017”.

(c) Updates on the revised administrative guidelines

481. This agenda sub-item was not opened.

Agenda item 26: Dates and venues of the following meetings of the Board

482. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.16/22 titled “Date and venue of the following meetings of the Board”.
483. The Co-Chairs reminded Board members that decision B.15/17 stated that B.17 was scheduled to be held in Songdo from 4 to 6 July 2017. In accordance with the Rules of Procedure, the Board was required to confirm these dates and the venue at B.16. Decision B.15/17 also stated that B.18 would be held in Songdo, with the dates and venue to be confirmed at B.17.
484. They informed the Board that invitations to host B.18 had been received from the Governments of Egypt, Georgia, Morocco and Tonga.
485. The Co-Chairs opened the floor for comments.
486. Board members discussed alternative dates for B.17 but concluded that the original dates and venue should stand.
487. Board members then discussed the venue and dates for B.18. Board members expressed thanks to the governments of the countries which had offered to host B.18. The Board converged around the invitation from the Government of the Arab Republic of Egypt.
488. Several options were considered in terms of alternative dates before the Board concluded that the original dates of 3 to 5 October would stand. As per the Rules of Procedure, both the venue and dates for the meeting would be confirmed at B.17.
489. The Board took note of document GCF/B.16/22.
490. The Board adopted the following decision:

DECISION B.16/08

The Board, having reviewed document GCF/B.16/22 titled “Date and venue of the following meetings of the Board”:

- (a) *Confirms that the seventeenth meeting of the Board will take place in Songdo, Incheon, Republic of Korea, from Tuesday, 4 July 2017, to Thursday, 6 July 2017;*

- (b) *Decides that the eighteenth meeting of the Board will take place in the Arab Republic of Egypt from Tuesday, 3 October 2017, to Thursday, 5 October 2017, with these dates and the venue to be confirmed at the seventeenth meeting of the Board; and*
- (c) *Requests the Secretariat to initiate consultations with the host country, with the aim of finalizing the memorandum of understanding for the hosting of a Board meeting before the seventeenth meeting of the Board.*

Agenda item 27: Other matters

491. This item was not opened.

Agenda item 28: Report of the meeting

492. This item was not opened.
493. The decisions as adopted and their corresponding annexes are included in this document.

Agenda item 29: Close of the meeting

494. The meeting was closed on Thursday, 7 April 2017 at 6:02 p.m.

Annex I: 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"> (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 Accreditation Master Agreement (AMA) entered into with the relevant Accredited Entity, whichever is later; (ii) Completion of legal due diligence to the GCF Secretariat's satisfaction;¹² (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 the project/programme and it has the capacity and authority to implement the proposed project/programme; and <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <ul style="list-style-type: none"> (iv) Fulfilment of any conditions precedent specified in the funded activity agreement to the satisfaction of the GCF Secretariat.

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^{13, 14}

Funding proposal number	Conditions
FP 038 (EIB GEEREF)	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Condition for execution of the Funded Activity Agreement:</u></p> <ul style="list-style-type: none"> (i) The execution of an Accreditation Master Agreement (AMA) by EIB, in a form and substance satisfactory to the Fund, within 120 days of Board approval. <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> (i) The Accredited Entity (AE) shall submit evidence of the projects and their greenhouse gas (GHG) emission implications annually in respect of potential

¹² In the event of inconsistency between this condition and any equivalent condition in a term sheet, the condition in the relevant term sheet shall prevail.

¹³ The conditions set out in relation to FP 038 and FP 039 are in addition to those set out in the term sheets for the relevant funding proposal.

¹⁴ The conditions set out in relation to FP 040 through FP 046 are not exhaustive but highlight key provisions and recommendations to enhance alignment with the GCF Investment Framework and relevant policies. Please refer to the Term Sheet of each proposal for the full list of terms and conditions that have been agreed with the accredited entities.

Funding proposal number	Conditions
	<p>pipeline that has been identified and will be funded by GEEREF NeXt through investee funds and direct investment;</p> <p>(ii) By the final closing of each underlying fund, GEEREF NeXt shall hold no more than 49 per cent of the equity and debt interest in such funds unless the GCF otherwise consents (which consent shall not be unreasonably withheld in the case of funds invested in small island developing States and the least developed countries); and</p> <p>(iii) Prior to each disbursement by the GCF other than the first, the AE shall submit evidence of progress to achieving the targets set out in (ii) above, in a form and substance satisfactory to the Secretariat.</p> <p>Conditions: The approval of the funding proposal shall be conditional upon:</p> <p><u>Covenants:</u></p> <p>(i) The Accredited Entity shall ensure that GEEREF NeXt (the “Investment Fund”) makes publicly available through its website and/or other appropriate means the environmental and social impact assessment (ESIA) study(ies) for any Category A project which it or an underlying fund proposes to invest in at least 120 days prior to such project’s financial close;</p> <p>(ii) The Accredited Entity shall, promptly after the disclosure referred to in paragraph (i) above, notify the GCF of the same and provide a link to and or copy of the relevant disclosure to the GCF;¹⁵</p> <p>(iii) The Accredited Entity shall ensure that the Investment Fund makes publicly available through its website and/or other appropriate means the resettlement action plans for any of the projects into which its underlying funds invest which involve the involuntary resettlement of more than 200 people, with the aim of disclosing such resettlement action plans at least 120 days prior to the relevant project’s financial close;</p> <p>(iv) The Accredited Entity shall ensure that the Investment Fund does not disburse any funds, directly or through its underlying funds, to hydropower projects until the Accredited Entity has revised its policy on the financing of hydropower projects, including in respect of dam safety, or has revised the environmental and social management system (ESMS) for the Investment Fund to include dam safety considerations, in each case in a form and substance satisfactory to the GCF;</p> <p>(v) The Accredited Entity shall ensure that the Investment Fund discloses on its website advance information on prospective underlying funds and direct projects it considers for investment, on an “Investment Pipeline List”, with their associated prospective investment summaries. In relation to direct project investments, the prospective investment summaries shall provide short descriptions of the projects, as well as the potential environmental, social impacts of the projects as assessed at such a stage. Prospective investments shall be included in the Investment Pipeline List no later than 30 days prior to the date of the Investment Fund’s investment committee meeting at which the relevant prospective investment will be presented for approval;</p> <p>(vi) The Accredited Entity shall ensure that the Investment Fund discloses on its website, and keeps regularly updated, summary information on each underlying fund and direct investment in its portfolio, on an “Investment Portfolio List”. Underlying funds or direct investment (as applicable) shall be moved from the Investment Pipeline List to the Investment Portfolio List on the date of signature of a commitment agreement (or equivalent instrument) by the Investment Fund in respect of its investment into the underlying fund or direct investment (as applicable);</p>

¹⁵ The Secretariat shall, promptly following receipt of such notification, notify the Board of the same.

Funding proposal number	Conditions
	<p>(vii) The Accredited Entity shall ensure that the Investment Fund discloses on its website summary information for each of the projects into which each underlying fund has invested. The project summaries shall provide short descriptions of the projects, as well as the potential environmental, social impacts of the projects. Such disclosure shall be made no later than 90 days after the date of the underlying fund’s investment committee at which the relevant project will be presented for final approval or the signature of the relevant investment agreement by the underlying fund, whichever is later, except where later disclosure is requested and justified by the underlying fund to protect its reasonable commercial interests, in which case, such disclosure shall be made to the GCF within the 90 days period referred to above, through the Accredited Entity, and public disclosure shall be made as soon as possible thereafter. For the avoidance of doubt, the foregoing shall not apply to projects which are considered to be category A projects, in line with the Investment Fund’s ESMS, which projects shall be subject to further prior disclosure and notification to the public; and</p> <p>(viii) The Accredited Entity shall use its best endeavours to raise: (a) USD 250 million of B share capital within two years of the first closing; and (b) A further USD 250 million of B share capital within the next year, and within a reasonable period of time after such dates, the Accredited Entity shall provide a report to the GCF identifying its progress in achieving such targets.¹⁶</p>
<p>FP 039 (EBRD Egypt)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Condition for execution of the Funded Activity Agreement:</u></p> <p>(i) The execution of an AMA by EBRD, in a form and substance satisfactory to the Fund, within 120 days of Board approval;</p> <p><u>Condition for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(ii) In relation to the Component 1, delivery by the Accredited Entity of a detailed budget by expenditure type and an indicative procurement plan;</p> <p><u>Covenants to be included in the Funded Activity Agreement:</u></p> <p>(iii) The Accredited Entity shall undertake and/or put in place any adequate measures in order to ensure that the management of the environmental and social risks and impacts arising from the programme is at all times in accordance with the recommendations, requirements and procedures set forth in the Environmental and Social Framework and System document (ESMFS), which was submitted by the Accredited Entity to the Secretariat for the implementation of the programme; and</p> <p>(iv) In the event that subprojects with potential significant adverse environmental and social risks that are equivalent to GCF environmental and social risk category A are conducted as part of this programme, these will not be supported under GCF financing in accordance with the funding proposal for the programme that was submitted by the Accredited Entity.</p> <p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Covenant to be included in the Funded Activity Agreement:</u></p> <p>(i) The Accredited Entity, during the implementation of the technical assistance, shall develop and submit a study, including recommendations on an action plan for the government on how the government can promote the development of 3,700 MW of renewable power generation without GCF participation as per the</p>

¹⁶ The Secretariat shall, promptly following receipt of such reports, provide a copy of the same to the Board.



Funding proposal number	Conditions
	government's plan following and alongside of the implementation of 600 MW with the assistance of the proposed Framework.
<p>FP 040 (EBRD Tajikistan)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Conditions for execution of the Funded Activity Agreement:</u></p> <p>(i) The execution of an AMA by EBRD, in a form and substance satisfactory to the Fund, within 120 days of Board approval;</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(ii) Delivery of a detailed project budget and procurement plan;</p> <p><u>Covenants to be included in the Funded Activity Agreement:</u></p> <p>(iii) The Accredited Entity shall undertake and/or put in place any adequate measures in line with its own policies in order to ensure that the management of the environmental and social risks and impacts arising from the Project complies at all times with the recommendations, requirements and procedures set forth in the Environmental and Social Action Plan (ESAP) for the implementation of the Project;</p> <p>(iv) The Accredited Entity shall request that BT shall incorporate adequate measures and provisions in the detailed engineering and procurement activities of the Project implementation in order to reduce fish mortality in turbines; and</p> <p>(v) Prior to commencing constructions works for the implementation of the Project, the Accredited Entity shall submit to the Fund the detailed Environmental and Social Management Plan (ESMP) related to the relevant construction works or activities to be executed.</p> <p><u>Recommendation:</u></p> <p>(i) Submission of the completion report containing the findings of a survey to be conducted by the AE on the direct and indirect beneficiaries that benefit from the enhanced access to energy in the targeted province as a result of this project.</p> <p><u>Conditions for execution of the Funded Activity Agreement:</u></p> <p>(i) EBRD confirms in writing that (A) all mitigation measures set out in the Environmental and Social Assessment Procedures (ESAP): (a) are fully estimated with respect to costs; (b) the ownership of, and responsibility for implementation is agreed and formally committed to; and (c) are fully funded; (B) there is sufficient funding and formal commitment for the long term monitoring and evaluation of the implementation of all mitigation measures, and (C) in the event the proposed mitigation measures prove to be insufficient or ineffective, there are clear mechanisms and funding for the remedial action; and</p> <p>(ii) A written confirmation by the Accredited Entity to the Fund that (i) the funding proposal is in accordance with all transboundary water agreements applicable to Syr Darya river basin under the auspices of the Interstate Commission for Water Coordination of Central Asia (ICWC), (ii) the funding proposal has been submitted to the downstream countries (Kazakhstan and Uzbekistan) and (iii) it has obtained confirmations from those countries that they are supportive of the implementation of the project specified in the funding proposal.</p>
<p>FP 041 (KfW Tanzania)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Conditions for execution of the Funded Activity Agreement:</u></p> <p>(i) The AMA between the Fund and the Accredited Entity is effective;</p> <p><u>Covenants to be included in the Funded Activity Agreement:</u></p> <p>(ii) The Accredited Entity shall contractually oblige the Executing Entity in accordance with the AMA to:</p>

Funding proposal number	Conditions
	<ul style="list-style-type: none"> a. Complete a stakeholder engagement plan detailing how communities including pastoralist and hunter/gatherer communities are to be engaged within nine months after the first disbursement and that it will update the engagement plan to reflect any changes in the communities; b. Prepare a capacity development plan to manage technical operational risks associated with local institutions including urban water utilities, community owned water supply organizations (COWSOs), SIMWASA, BARUWASA, and local government authorities prior to commencement of construction; c. Ensure that operations and maintenance plans for the small earth and Charco dams, small-scale irrigation, and other infrastructure related to the agriculture component are developed by the communities prior to their implementation; d. Prepare Environmental and Social Management Plans related to the relevant construction works to be executed by the respective contractors in line with International Finance Corporation (IFC) Performance Standards prior to commencement of the respective construction works. The ESMPs are reviewed and approved by the Accredited Entity and the results are submitted to the Secretariat for information; e. Hold all land rights in respect of the land that is required to carry out the Project, and, upon request, promptly furnish evidence to the Accredited Entity and to the GCF Secretariat in accordance with IFC performance standards, that such land and rights in respect of the land are available for purposes of implementation of the Project; f. Submit evidence to the Accredited Entity and to the GCF Secretariat on status and amount of the Government of Tanzania co-financing funds made available for the resettlement prior to commencement of resettlement activities; and g. Ensure that the charco dams are designed and the seed varieties are selected to adapt to climate variability and change, and report accordingly in the APRs; and <p>(iii) The Accredited Entity shall provide the following information in the APRs in accordance with the AMA:</p> <ul style="list-style-type: none"> a. Updated analysis on the tariff structure, affordability, demand, and assessment of the financial viability of the urban and rural water supply; b. Information on the operational track record of urban utilities, COWSOs, and other entities involved in urban and rural water supply and on the creation and viability of the new urban off-takers/water utilities proposed; and c. Information on strengthening and adjustment of the exit strategy as applicable, particularly with regards to the sanitation activities. <p>Recommendations:</p> <ul style="list-style-type: none"> (i) For the agriculture activities, in-kind contributions should not be a barrier to accessing support for the most vulnerable groups; and (ii) During the programme implementation, efforts shall be made to foster synergies and enhanced coordination with other development initiatives in water and agriculture, particularly in exploring complementarity in financing for activities such as waste water management <p>Conditions:</p> <ul style="list-style-type: none"> (i) Prior to signing of works contracts, delivery by the accredited entity of the relevant Resettlement Action Plan, which shall include—among other aspects—details on the identified lands where the project will be implemented, affected individuals (including specific attention to pastoralist and hunter/gatherer communities) and the compensation matrix, following the resettlement policy framework and in line with IFC Performance Standards. Further, there shall be



Funding proposal number	Conditions
	<p>no acquisition and resettlement activities prior to the delivery of the RAP and FPIC documentation relating to pastoralist and hunter/gather communities self-identifying as indigenous people; and</p> <p>(ii) Prior to first disbursement, delivery by the accredited entity of a gender action plan in form and substance satisfactory to the GCF Secretariat.</p> <p><u>Recommendations:</u></p> <p>(i) The AE establishes procedures that guarantee that in rural and peri-urban areas, the participation of women at the board of director or at the senior management level of water organizations is at least of 50 per cent;</p> <p>(ii) The AE provides the monitoring of outcomes quarterly as the project progresses and annually, after the project is completed. The outcomes of particular interest to the GCF are:</p> <ol style="list-style-type: none"> a. The number of households and people receiving drinking water and paying regularly for it as per established tariffs; b. The percentage of operation and maintenance (O&M) costs covered by tariffs collected; c. The percentage collection of billing; d. The average volume of water produced and the average volume of water delivered per household; e. The number of public latrines implemented which are fully operational; f. The number of users per public latrine; and g. The percentage of women belonging to boards or in senior management positions in the water utilities involved. <p>Conditions:</p> <p>(i) Prior to signing of works contracts, the Accredited Entity shall, through the Executing Entity, acquire FPIC from potentially pastoralist and hunter/gather communities self-identifying as indigenous people, who are potentially affected by the project.</p>
<p>FP 042 (AFD Morocco)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Conditions for execution of the Funded Activity Agreement:</u></p> <p>(i) The AMA between the Fund and the Accredited Entity is executed and effective;</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For first disbursement:</i></p> <p>(ii) Delivery to the Fund of a procurement plan related to GCF Proceeds in form and substance satisfactory to the GCF;</p> <p>(iii) Delivery to the Fund of a written confirmation that a comprehensive assessment of the Executing Entity's financial management and procurement capacity to implement the Project has been completed;</p> <p><i>For second disbursement:</i></p> <p>(iv) Delivery to the Fund of a more comprehensive gender assessment and a gender action plan (with activities, gender-performance indicators, sex-disaggregated targets, timelines, responsibility lines etc.);</p> <p><i>For last (fifth) disbursement:</i></p> <p>(v) Provide an evidence, in a form and substance satisfactory to the Fund, that the provision of the transferred surface water to the Oasis local population is prioritized over commercial users outside the Oasis area and corresponds to the full capacity of the Oasis system (which is estimated at 10 Mm³/year);</p>

Funding proposal number	Conditions
	<p><u>Covenants to be included in the Funded Activity Agreement:</u></p> <p>(vi) The Accredited Entity shall, prior to commencing any construction works or activities under Component 1 and Component 2 of the Project, update the ESMP to include a Land Acquisition and Compensation Plan (LACP) containing information on, among others, details on the identified lands, affected peoples and communities, and compensation plan, in a form and substance satisfactory to the Accredited Entity pursuant to the Accredited Entity’s environmental and social safeguard policies and procedure which have been assessed for the accreditation, and shall comply and ensure compliance with the ESMP and the LACP at all times during the implementation of the Project;</p> <p>(vii) The Accredited Entity shall ensure that the Executing Entity shall, at all times, implement the necessary measures (i.a. limiting the conversion of land for agricultural use in the agricultural plain, promoting new technologies to conserve water, etc.) and tools to monitor the water table level of the Boudnib plain and the Guir valley aquifers, in order to prevent the overuse and depletion of water in their water table, in accordance with the relevant legal and regulatory framework of Morocco;</p> <p>(viii) The Accredited Entity shall ensure that the adequate measures are agreed with the Government of Morocco, before the launching of the public-private partnership (PPP) process, to minimize the conversion of non-irrigated land into irrigated land by PPP subscribers in the Project area covered by the PPP activities, in a form and substance satisfactory to the Accredited Entity;</p> <p>(ix) The Accredited Entity shall ensure that the Executing Entity will, at all times, implement the tools to monitor the transfer of water and will ensure that those transfers do not affect negatively downstream river population;</p> <p>(x) The Accredited Entity shall, within ninety (90) days following the submission of the interim evaluation report, provide to the Fund:</p> <ol style="list-style-type: none"> a. A written confirmation that the Executing Entity has developed, to the satisfaction of the Accredited Entity, and is committed to implement, an exit strategy for the long-term sustainability of those aspects of the Funded Activity that will not be addressed under the PPP, such as but not limited to the enforcement of aquifer contracts and the hydrological and water basin modelling; and b. A monitoring and evaluation action plan to be implemented by the Executing Entity from the date of completion of the Project until the final maturity date of the AFD loan, which action plan shall require monitoring, evaluation and reporting of the relevant impacts of the Project and of the PPP, in form and substance satisfactory to the Fund; and <p>(xi) The Accredited Entity covenants that it shall take necessary measures to ensure that the Government of Morocco will take over the O&M of the irrigation infrastructures financed by the Project, in the event PPP arrangement is not materialized or pre-maturely terminated and ensure compliance.</p> <p><i>Prior to execution of the Funded Activity Agreement:</i></p> <p>(i) Initiate the PPP framework to be developed as soon the project is approved</p> <p><i>For first disbursement:</i></p> <p>(i) Provide to the GCF a work programme for the PPP framework development and implementation in form and substance satisfactory to the GCF Secretariat</p> <p><i>Other condition:</i></p> <p>(i) Prior to commencement of the mid-term review of the Project, the accredited entity shall submit to the GCF the PPP framework in a form and substance satisfactory to the GCF Secretariat.</p>



Funding proposal number	Conditions
<p>FP 043 (EBRD Morocco)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u> <u>Conditions for execution of the Funded Activity Agreement:</u> (i) The execution of an AMA by EBRD, in a form and substance satisfactory to the Fund, within 120 days of Board approval;</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u> <i>For second disbursement:</i> (ii) Delivery to the Fund by the Accredited Entity of a detailed Knowledge and Dissemination Strategy for the Project, which shall enhance the potential synergies with the other GCF-funded projects in Morocco;</p> <p><u>Covenants to be included in the Funded Activity Agreement:</u> (iii) The Accredited Entity, in co-operation with relevant partners, shall contractually require the support by the Executing Entity in the implementation of the required tools to monitor the level of the Saïss water table in accordance with the relevant legal and regulatory framework in the Kingdom of Morocco; (iv) The Accredited Entity shall contractually require that the Executing Entity or other relevant partners will, at all times, support in the implementation of the required measures to promote the sustainable usage of water in the Saïss plain and prevent the depletion of the Saïss water table, in each case in accordance with the applicable legal and regulatory framework of the Kingdom of Morocco; (v) The Accredited Entity shall secure from the Executing Entity adequate safeguards, before the launching of the PPP process, in order to protect any particularly vulnerable groups and that possible tariff schemes are set so as to be affordable; taking into primary consideration the current cost of water per farm size, as set out in the funding proposal, when calculating such tariff structure; and (vi) The Accredited Entity shall secure from the Executing Entity a binding commitment to put in place measures with the aim of stopping the conversion of non-irrigated land into irrigated land by PPP subscribers in the Project area covered by the PPP activities prior to commencing such PPP activities.¹⁷</p> <p><u>Conditions:</u> <i>Before the disbursement:</i> (i) Present an action plan to start promoting community involvement in water governance and improved awareness of climate change issues for the duration of GCF involvement and after the completion of the infrastructure irrigation works for the duration of EBRD involvement; (ii) Present an overall management scheme satisfactory to the Secretariat to preserve the Sebou and Saïss water basins under current and projected climate change scenarios with an ecosystem-based approach, including a hydrological study and a sustainability (economic, sociological and environmental) study of the overall implications of the water transfer within the basin and sub basin; and (iii) Present a matrix of climate change indicators (water conservation, community involvement, etc.) that could be monitored during EBRD involvement in the project, ensuring that the Secretariat retains opportunities to ensure that communities are duly integrated and climate change dimensions are considered through an adequate measurement, reporting and verification regime.</p>
<p>FP 044 (WB)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u> <u>Conditions for execution of the Funded Activity Agreement:</u></p>

¹⁷ The Secretariat has been unable to reach agreement on this covenant with the accredited entity in the term sheet prior to its submission to the Board. It is nevertheless recommended that the Board approve the inclusion of this covenant.

Funding proposal number	Conditions
Solomon Islands)	<p>(i) The execution of an AMA by the World Bank, in a form and substance satisfactory to the Fund, within 120 days of Board approval;</p> <p><u>Conditions for effectiveness of the Funded Activity Agreement:</u></p> <p>(ii) Delivery of a legal opinion or a certificate, in a form and substance that is satisfactory to the GCF Secretariat, which has been signed by a legal officer of the Accredited Entity confirming that the Funded Activity Agreement (FAA) entered into by the Accredited Entity has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the Accredited Entity, and binding upon the Accredited Entity in accordance with its terms;¹⁸</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 Fund by the Accredited Entity the detailed budget of Component 1 and Component 2 in the form and substance satisfactory to the Fund; and</p> <p><u>Covenants to be included in the Funded Activity Agreement:</u></p> <p>(iv) The Accredited Entity shall require that, in addition to providing for insurance of any Goods required for the Project against any hazards in accordance with industry good practice, the Project is covered by the following insurance throughout the Project implementation period, which shall be accounted for in the Project cost:</p> <p>a. Builders all risk insurance for Component 1 covering the entire construction period.</p> <p><u>Recommendations:</u></p> <p>(i) That the AE prepares and presents a report that will elaborate an approach to determine the true dynamic GHG emission baseline for the calculation of project emission reduction instead of the static emission factor presented in the funding proposal that will be utilized over the project life;</p> <p>(ii) That after the commissioning, the Accredited Entity train the Ministry of Mines, Energy and Rural Electrification (MMERE) to utilize a model for GHG emission reduction calculation, which MMERE will apply to estimate the GHG emission reductions;</p> <p>(iii) That the GHG emission reduction estimated by the model is reported as part of its achievement of emissions reductions targets, or through another sustainable means of reporting outside of the limited project reporting period; and</p> <p>(iv) That the training takes place during a period of not more than 1 year after commissioning, and report on emissions reductions as part of its achievement of emissions reductions targets is submitted by the AE annually thereafter.</p> <p><u>Condition for execution of the Funded Activity Agreement:</u></p> <p>(i) The World Bank confirms in writing that (A) all mitigation measures set out in the Environmental and Social Impact Assessment and Management Plan: (a) are fully estimated with respect to costs; (b) the ownership of, and responsibility for implementation is agreed and formally committed to; and (c) are fully funded; and (B) that there is sufficient funding and formal commitment for the long term monitoring and evaluation of the implementation of all mitigation measures, and that in the event the proposed mitigation measures prove to be insufficient or ineffective, there are clear mechanisms and funding for the remedial action.</p>

¹⁸ The Secretariat has been unable to reach agreement on this condition with the accredited entity in the term sheet prior to its submission to the Board. It is nevertheless recommended that the Board approve the inclusion of this condition.



Funding proposal number	Conditions
<p>FP 045 (NABARD India)</p>	<p><u>The approval of the funding proposal shall be conditional upon:</u></p> <p><u>Conditions for execution of the Funded Activity Agreement:</u></p> <p>(i) The AMA between the Fund and the Accredited Entity is executed and effective.</p> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For all disbursements:</i></p> <p>(i) Confirmation by the Accredited Entity that the baseline studies (including a revised cost estimate for the project activities in Component 1) in support of the community tanks to be financed by the proceeds of the relevant disbursement is completed;</p> <p>(ii) For first disbursement;</p> <p>(iii) Delivery by the Accredited Entity of a procurement plan in form and substance satisfactory to the Fund; and</p> <p>(iv) Assessment of the capacity of Department of Water Resources in implement components of the project to Accredited Entity’s satisfaction. The assessment report should be submitted to the Fund.</p> <p><u>Condition:</u></p> <p><i>Prior to the execution of the funded activity agreement:</i></p> <p>(i) Inclusion, under component 4 of the funding proposal, specific training be provided by NABARD for local farmers on organic farming, integrated pest management, agroforestry systems and small-scale wastewater treatment.</p> <p>Conditions:</p> <p><i>Prior to the first disbursement</i></p> <p>(i) Delivery by the Accredited Entity to the Secretariat of a financing coordination plan with other co-financiers;</p> <p><u>Covenant to be included in the Funded Activity Agreement</u></p> <p>(ii) Considering the experimental nature of groundwater recharge technology, the Accredited Entity shall ensure that the implementation shall be done in a staged approach, with clear incorporation of lessons learned from previous stages.</p>

Annex II: Terms of reference of the ad hoc Trustee Selection Committee

I. Role and functions

1. The role of the ad hoc Trustee Selection Committee is to prepare the selection process of the GCF Permanent Trustee and recommend a Trustee for the Board's consideration, in accordance with Board decisions and these terms of reference. The ad hoc committee will also monitor and review the progress of the selection process; report the progress to the Board, and report and recommend the final nominee to the Board for its decision no later than its eighteenth meeting.

I. Membership

2. The Trustee Selection Committee will comprise:
 - (a) Two developing country Board members; and
 - (b) Two developed country Board members.
3. Members of the Trustee Selection Committee will serve for its duration as per paragraph 5 below.

II. Terms of reference

4. The ad hoc committee shall:
 - (a) Appoint a chairperson/facilitator;
 - (b) Finalize the terms of reference for the Permanent Trustee for approval by the Board;
 - (c) Prepare the selection process and criteria for approval by the Board;
 - (d) Recommend a time frame for the selection process for approval by the Board;
 - (e) Approve the announcement of the open, transparent and competitive process;
 - (f) Oversee the work of the Secretariat regarding this progress;
 - (g) Report, via the chairperson/facilitator, on the progress of the committee to the Co-Chairs and the Board; and
 - (h) Report and recommend the final nominee to the Board for its decision no later than its eighteenth meeting.

III. Duration

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



Annex III: Budget for the Independent Evaluation Unit

	Item	Budget (USD) (March to June 2017)
1.	Salaries and consultants	
1.1	Full-time staff	240,930
1.2	Consultancies	70,000
	Subtotal: salaries and consultants	310,930
2.	Travel	
2.1	Travel	20,000
	Subtotal: travel	20,000
3.	Engagement to support evaluation capacity and learning	
3.1	Support for evaluation related international meetings	20,000
	Subtotal: support activities	20,000
4.	Operating costs	
4.1	Other costs	20,000
	Subtotal: operating costs	20,000
	Grand total (1+2+3+4)	370,930