



**GREEN
CLIMATE
FUND**

Meeting of the Board
26 February – 1 March 2018
Songdo, Incheon, Republic of Korea
Provisional agenda item 29

GCF/B.19/43

16 March 2018

Decisions of the Board – nineteenth meeting of the Board, 26 February – 1 March 2018

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Agenda item 1: Opening of the meeting

1. The Co-Chairs opened the meeting on Monday, 26 February 2018 at 9:18 a.m.

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

2. The Board adopted the agenda as set forth in document GCF/B.19/01/Drf.02 titled “Provisional agenda”:
 1. Opening of the meeting
 2. Adoption of the agenda and organization of work
 3. Election of Co-Chairs
 4. Adoption of the report of the eighteenth meeting of the Board
 5. Board decisions proposed and approved between the eighteenth and nineteenth meetings of the Board
 6. Report on the activities of the Co-Chairs
 - (a) Updated 2018 Board work plan
 7. Report on the activities of the Secretariat
 8. Reports from Board committees, panels and groups
 9. Comprehensive report on the implementation of the strategic plan
 10. Guidance from the Conference of the Parties to the UNFCCC
 11. Terms of reference for the review of committees, panels and groups
 12. Matters related to the Trustee
 13. Risk management framework
 14. Policies and procedures for the formal replenishment process
 15. Policies related to the approval of funding proposals
 - (a) GCF portfolio and pipeline
 - (b) Status of the fulfilment of conditions on relevant approved projects
 - (c) Findings of the additional analysis of potential investment priority areas to identify specific result areas where targeted GCF investment would have the most impact
 - (d) Project and programme eligibility and selection criteria
 - (e) Options for further guidance on concessionality
 - (f) Development and application of incremental cost calculation methodology and/or alternative methodologies
 - (g) Indicative minimum benchmarks
 - (h) Review of the structure and effectiveness of the independent Technical Advisory Panel
 - (i) Interim policy for cancellation and termination

- (j) Revised policy on fees for accredited entities
- 16. Environmental and Social Management System: Environmental and Social Policy
- 17. Gender and Social Inclusion Policy
- 18. Indigenous Peoples Policy
- 19. Consideration of funding proposals
- 20. Matters related to accreditation
- 21. Country programming and readiness
 - (a) Progress report on the implementation of the Readiness Work Programme, including status of NAPs
 - (b) Revised Readiness and Preparatory Support Work Programme
 - (c) Terms of reference for the independent evaluation of the Readiness Programme
 - (d) Consolidated country and entity work programmes
- 22. Private sector matters
 - (a) Private sector outreach plan
 - (b) Modalities to support activities enabling private sector involvement in least developed countries and small island developing states
- 23. Annual Reports from the independent units
- 24. Work programmes and budgets of the independent units
- 25. Administrative matters
 - (a) Reviewed administrative guidelines on procurement
 - (b) Report on the execution of the administrative budgets for 2017 and draft unaudited financial statements
- 26. Dates and venues of the following meetings of the Board
- 27. Other matters
 - (a) Other matters from B.17
- 28. Report of the meeting
- 29. Close of the meeting

Agenda item 3: Election of Co-Chairs

3. The Board adopted the following decision:

DECISION B.19/01

The Board:

Elects Mr. Paul Oquist and Mr. Lennart Båge as the Co-Chairs for 2018 with effect immediately and for the remainder of the period expiring on 31 December 2018.

Agenda item 4: Adoption of the report of the eighteenth meeting of the Board

4. The Co-Chairs drew the attention of the Board to the report of the eighteenth meeting of the Board as circulated to the Board (document GCF/B.18/24 (general distribution) and its addendum Add.01 (limited distribution) titled “Report of the eighteenth meeting of the Board, 30 September – 2 October 2017”).

Agenda item 5: Board decisions proposed and approved between the eighteenth and nineteenth meetings of the Board

5. The Board took note of document GCF/B.19/33 titled “Decisions taken between the eighteenth and nineteenth meetings of the Board”.

Agenda item 6: Report on the activities of the Co-Chairs

6. The Board took note of document GCF/B.19/40 titled “Report on the activities of the Co-Chairs”.

(a) Updated 2018 Board work plan

7. The Board took note of document GCF/B.19/39 titled “Updated workplan of the Board for 2018”.

8. No decision was taken under this agenda item.

Agenda item 7: Report on the activities of the Secretariat

9. The Board took note of document GCF/B.19/18 (general distribution) and its addendum Add.01 (limited distribution) titled “Report on the activities of the Secretariat”.

Agenda item 8: Reports from Board committees, panels and groups

10. The Board took note of document GCF/B.19/21 (general distribution) and its addenda Add.01, Add.02 and Add.03 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund”.

Agenda item 9: Comprehensive report on the implementation of the strategic plan

11. The Board took note of document GCF/B.19/10 titled “Implementation of the Strategic Plan: 2017 report”.

Agenda item 10: Guidance from the Conference of the Parties to the UNFCCC

12. The Board took note of document GCF/B.19/02 titled “Guidance from the twenty-third session of the Conference of the Parties: Co-Chairs’ proposal”.
13. The Board adopted the following decision:

DECISION B.19/02

The Board, having considered document GCF/B.19/02 titled “Guidance from the twenty-third session of the Conference of the Parties: Co-Chairs’ proposal”:

- (a) *Takes note of the guidance from the Conference of the Parties at its twenty-third session, in particular decision 9/CP.23¹ titled “Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund”;*
- (b) *Requests the Secretariat to continue efforts to enhance support for national adaptation planning and/or other adaptation planning processes;*
- (c) *Requests the Secretariat to include in its annual report to the Conference of the Parties information on projects approved by the Board that support the innovation and/or scaling up of climate technologies; and*
- (d) *Requests the Co-Chairs to develop a proposal for consideration of the Board in response to the guidance from the Conference of the Parties at its twenty-third session regarding privileges and immunities.*

Agenda item 11: Terms of reference for the review of committees, panels and groups

14. The Board took note of document GCF/B.19/20 titled “Terms of reference for the review of the committees and group established at the fifth meeting of the Board”.
15. No decision was taken under this agenda item.

Agenda item 12: Matters related to the Trustee

16. The Board adopted the following decision:

DECISION B.19/03

The Board, having considered document GCF/B.18/19 titled “Report on the Activities of the Ad-hoc Trustee Selection Committee” (limited distribution) and in accordance with decision B.08/22, paragraph (a), and UNFCCC decision 3/CP.17, paragraph 16:

- (a) *Affirms that there should not be a discontinuity in the service of the Trustee;*
- (b) *Confirms that the selection of the Permanent Trustee of the GCF shall be undertaken through an open, transparent and competitive bidding;*
- (c) *Adopts the terms of reference of the Permanent Trustee set out in annex I;*

¹ Available at <<http://unfccc.int/resource/docs/2017/cop23/eng/11a01.pdf#page=29>>.

- (d) *Also adopts the selection process set out in annex II;*
- (e) *Approves the timeframe for the selection process set out in annex III;*
- (f) *Also approves the allocation of up to USD 25,000, to be absorbed in the 2018 contractual services budget of the Secretariat budget, to carry out the advertisement in an appropriate international publication for the procurement process for the selection of the Permanent Trustee in a cost-effective manner;*
- (g) *Decides to invite the World Bank to continue serving as the Interim Trustee until a permanent trustee is appointed;*
- (h) *Authorizes the Executive Director to execute an amendment to the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund, dated 22 April 2015, with the World Bank to extend the term of the Interim Trustee established in paragraph 8.4 of the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund, with all other terms and conditions remaining the same, for an additional period of one year or the date on which the successor trustee takes up the role, whichever occurs earlier; and*
- (i) *Requests the ad-hoc Trustee Selection Committee to report to the Board on the implementation of this decision at the twenty-first meeting of the Board.*

Agenda item 13: Risk management framework

- 17. The Board took note of document GCF/B.19/19 titled “Risk management framework: Proposal by the Risk Management Committee”.
- 18. The Board adopted the following decision:

DECISION B.19/04

The Board, having reviewed document GCF/B.19/19 titled “Risk management framework: Proposal by the Risk Management Committee”:

- (a) *Adopts the second set of components of the risk management framework as contained in annexes IV to VI to this document as follows:*
 - (i) *Risk management framework component V – investment risk policy, as set out in annex IV;*
 - (ii) *Risk management framework component VI – non-financial risk policy, as set out in annex V; and*
 - (iii) *Risk management framework component VII – funding risk policy, as set out in annex VI;*
- (b) *Decides to update component III of the risk management framework “Risk dashboard – revised reporting on concentration” as set out in annex VII to this document;*
- (c) *Requests the Secretariat to publish the updated risk dashboard every quarter hereafter;*
- (d) *Recognizes that the risk management framework will evolve over time and shall be subject to reviews and revisions as stated in each individual component of the risk management framework and that any resulting revisions of a material and/or substantive nature shall be presented to the Board for its consideration and approval.*

Agenda item 14: Policies and procedures for the formal replenishment process

19. The Board adopted the following decision:

DECISION B.19/05

The Board, noting the GCF Initial Resource Mobilization period runs from 2015-2018 and its decision² to transition subsequently to a formal replenishment process:

- (a) Decides to advance work under its 2018 work programme to conclude the essential preparatory arrangements for the first formal replenishment process of the GCF, noting this is without prejudice to the timing of a decision to initiate replenishment in line with decision B.08/13;*
- (b) Requests the Co-Chairs, with the support of the Secretariat, and in consultation with members of the Board, to oversee the preparation of necessary policies and procedures for the formal replenishment process; and*
- (c) Reiterates the Board's intention to review the Strategic Plan of the GCF as part of the formal replenishment process.*

Agenda item 15: Policies related to the approval of funding proposals

(a) GCF portfolio and pipeline

20. This agenda item was not opened.

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

21. This agenda item was not opened.

(c) Findings of the additional analysis of potential investment priority areas to identify specific result areas where targeted GCF investment would have the most impact

22. The Board took note of document GCF/B.19/37 titled "Identification of results areas where targeted GCF investment would have the most impact".

23. No decision was taken under this agenda item.

(d) Project and programme eligibility and selection criteria

24. The Board took note of document GCF/B.19/38 titled "Mapping of elements related to project or programme eligibility and selection criteria".

25. No decision was taken under this agenda item.

² Decision B.05/17.

- (e) Options for further guidance on concessionality; and
- (f) Development and application of incremental cost calculation methodology and/or alternative methodologies

26. The Board took note of document GCF/B.19/12/Rev.01 titled “Concessionality: potential approaches for further guidance”.

27. The Board took note of document GCF/B.19/34 titled “Incremental cost methodology: potential approaches for the Green Climate Fund”.

28. The Board adopted the following decision:

DECISION B.19/06

The Board, having noted documents GCF/B.19/34 titled “Incremental cost methodology: potential approaches for the Green Climate Fund” and GCF/B.19/12/Rev.01 titled “Concessionality: potential approaches for further guidance”:

- (a) *Notes the linkages between matters related to incremental costs and concessionality and the policy gaps identified in decision B.11/11, including project eligibility criteria, as well as issues related to co-finance and other matters considered at subsequent Board meetings;*
- (b) *Also notes the linkages between such policy gaps and the GCF Results Management Framework, initial Investment Framework, country programmes and entity work programmes, and the Risk Management Framework;*
- (c) *Further notes that addressing these policy gaps requires an integrated approach that considers their interlinkages;*
- (d) *Requests the Secretariat to develop an integrated approach to resolve these interrelated issues for the Board’s consideration at its twentieth meeting, including:*
 - (i) *Steps to enhance the climate rationale of GCF-supported activities; and*
 - (ii) *Policies on the review of the financial terms and conditions of GCF instruments and concessionality, incremental costs, full costs, and co-financing;*
- (e) *Agrees that the approach outlined in paragraph (d) above should:*
 - (i) *Take into account the views expressed by Board members during the nineteenth meeting of the Board and any further written comments that may be submitted before 30 March 2018;*
 - (ii) *Be aligned with the Governing Instrument for the GCF and GCF strategic frameworks, including the initial Strategic Plan, the Results Management Framework, the initial Investment Framework, country programmes and entity work programmes, and the Risk Management Framework;*
 - (iii) *Be aligned with the Board work plan and the Secretariat work programme;*
 - (iv) *Propose an approach to address gaps in the Results Management Framework that is necessary to effectively implement these policies; and*
 - (v) *Take note of innovative and useful experiences of other institutions and an analysis of the GCF portfolio; and*
- (f) *Requests the Secretariat to include in the approach outlined in paragraph (d) above a capacity-building strategy to support national designated authorities/focal points, and accredited entities, particularly direct access entities, to incorporate these policies into*

their interactions with GCF, particularly with respect to the proposal approval process and the simplified approval process.

(g) Indicative minimum benchmarks

29. The Board took note of document GCF/B.19/04/Rev.01 titled “Indicative Minimum Benchmarks”.

30. The Board adopted the following decision:

DECISION B.19/07

The Board, having considered document GCF/B.19/04/Rev.01 titled “Indicative Minimum Benchmarks”:

- (a) Decides that the name of indicative minimum benchmarks, as requested in decision B.09/05, paragraph (d), be referred to as investment criteria indicators, as recommended by the Investment Committee; and*
- (b) Requests the Secretariat to further develop a proposal on investment criteria indicators, under the guidance of the Investment Committee, for the consideration of the Board at its twentieth meeting, taking into account the feedback raised on investment criteria indicators by Board members during the nineteenth meeting of the Board and any further written comments that may be submitted before 30 March 2018.*

(h) Review of the structure and effectiveness of the independent Technical Advisory Panel

31. The Board took note of document GCF/B.19/03/Rev.01 titled “Review of the structure and effectiveness of the independent Technical Advisory Panel”.

32. The Board adopted the following decision:

DECISION B.19/08

The Board, having considered document GCF/B.19/03/Rev.01 titled “Review of the structure and effectiveness of the independent Technical Advisory Panel”:

- (a) Takes note with appreciation of the analysis and recommendations presented in the document;*
- (b) Requests the Secretariat, as soon as is possible, to expedite the arrangements for a roster of experts to be drawn together, with the necessary sectoral and regional expertise, for use by the independent Technical Advisory Panel in the review of funding proposals;*
- (c) Also requests the Secretariat, in consultation with the independent Technical Advisory Panel, to develop a proposal, as requested in decision B.18/06, paragraph (c) (ii), to accommodate the increase in funding proposals from the simplified approval process through, inter alia, the use of the roster of experts and elaboration of a simplified approval process-specific timeline;*
- (d) Further requests the Secretariat, in consultation with the independent Technical Advisory Panel and the Budget Committee, to present by the twentieth meeting of the Board an analysis of options to accommodate the increased workload resulting from the higher*

number of funding proposals being processed, and an updated budget proposal consistent with such options;

- (e) Allocates USD 250,000 for use by the independent Technical Advisory Panel on an exceptional basis, and as a temporary measure, until such a decision relating to paragraph (d) is taken, to increase the capacity of the independent Technical Advisory Panel, as noted in paragraphs (b) and (c) above;*
- (f) Requests the independent Technical Advisory Panel, with the support of the Secretariat and the Investment Committee, to improve its internal structures and processes to ensure more coherence, the establishment of formal procedures, and the efficient use of time and resources, and to report to the Board on the progress made by the twentieth meeting of the Board;*
- (g) Also requests the independent Technical Advisory Panel, with the support of the Secretariat, to develop a more comprehensive review template, ensuring that investment criteria and subcriteria are addressed consistently, using the appropriate metrics relevant for the sector and the investment criteria guidelines, when available;*
- (h) Further requests the Secretariat and the independent Technical Advisory Panel to implement a periodic quality assurance process of the independent Technical Advisory Panel's assessments, and report back to the Board by its twentieth meeting;*
- (i) Requests the Secretariat and the independent Technical Advisory Panel to agree on and implement, on a pilot basis, a new review cycle that allows for longer review times by the independent Technical Advisory Panel and the provision of its inputs at an earlier stage in the approval process, consistent with the updated project and programme cycle as set up in annex IV to decision B.17/09;*
- (j) Also requests the Secretariat to consult with the independent Technical Advisory Panel when developing sectoral guidance for projects and programmes; and*
- (k) Decides to review the composition of the independent Technical Advisory Panel, defined in paragraph 11 of the terms of reference, upon the finalization of policies related to the proposal approval process, and based on the resource needs arising from the review of funding proposals and the support in the development of sectoral guidance.*

(i) Interim policy for cancellation and termination

- 33. The Board took note of document GCF/B.19/13 titled "Policy on restructuring".
- 34. No decision was taken under this agenda item.

(j) Revised policy on fees for accredited entities

- 35. The Board took note of document GCF/B.19/29 titled "Policy on fees for accredited entities and delivery partners".
- 36. The Board adopted the following decision:

DECISION B.19/09

The Board having reviewed document GCF/B.19/29 titled "Policy on fees for accredited entities and delivery partners":

- (a) Adopts the policy on fees as set out in in annex VIII;*

- (b) *Also adopts the general principles and indicative list of eligible costs covered under GCF fees and project management costs as detailed in annex IX; and*
- (c) *Authorizes the Secretariat to make the required changes to the indicative list of eligible costs to be covered under GCF fees and the indicative list of eligible project management costs as detailed in annex IX for the implementation of the GCF funded activity and readiness activities.*

Agenda item 16: Environmental and Social Management System: Environmental and Social Policy

- 37. The Board took note of document GCF/B.19/06 titled “Environmental and social management system: environmental and social policy”.
- 38. The Board adopted the following decision:

DECISION B.19/10

The Board, having considered document GCF/B.19/06 titled “Environmental and social management system: environmental and social policy”:

- (a) *Affirms that the GCF Environmental and Social Management System comprises the following elements:*
 - (i) *The Environmental and Social Policy referred to in paragraph (b) below;*
 - (ii) *The GCF environmental and social safeguards standards, including the interim environmental and social safeguards standards adopted by the Board pursuant to decision B.07/02, paragraph (c);*
 - (iii) *The Environmental and Social Management System manual containing the rules and procedures for the implementation of the Environmental and Social Management System referred to in paragraph (d) below;*
 - (iv) *The guidance and tools, consisting of references and best practices, to guide the implementation of the Environmental and Social Management System referred to in paragraph (d) below;*
 - (v) *Stakeholder engagement consisting of GCF guidance and related policies promoting multi-stakeholder engagement referred to in paragraph (d) below; and*
 - (vi) *Related GCF policies and practices relevant to, and complementing and supporting, the Environmental and Social Management System;*
- (b) *Adopts the GCF Environmental and Social Policy as presented in annex X to this document;*
- (c) *Requests the Secretariat, taking into account input from stakeholders, to present to the Board the proposed approach to developing the GCF environmental and social safeguards standards for its consideration at its twenty-first meeting; and*
- (d) *Also requests the Secretariat to develop and publish the Environmental and Social Management System manual and guidance, including guidance related to stakeholder engagement, no later than the twenty-second meeting of the Board.*

Agenda item 17: Gender and Social Inclusion Policy

39. The Board took note of document GCF/B.19/25 titled “GCF Gender Equality and Social Inclusion Policy and Action Plan 2018–2020”.
40. No decision was taken under this agenda item.

Agenda item 18: Indigenous Peoples Policy

41. The Board took note of document GCF/B.19/05 titled “GCF Indigenous Peoples Policy”.
42. The Board adopted the following decision:

DECISION B.19/11

The Board, having considered document GCF/B.19/05 titled “GCF Indigenous Peoples Policy”:

Adopts the Indigenous Peoples Policy as presented in annex XI to this document.

Agenda item 19: Consideration of funding proposals

43. The Board took note of document GCF/B.19/22/Rev.02 titled “Consideration of funding proposals” and its addenda Add.01–07, Add.08/Rev.01, Add.09–11, Add.12/Rev.01, Add.13–15, Add.16/Rev.01, Add.17–20, Add.21/Rev.01, Add.22–23, Add.28/Rev.01, Add.29/Rev.01, Add.32/Rev.01, Add.33/Rev.01 and Add.34–Add.35 (general distribution); Add.24–27 (confidential); and Add.30 and Add.31/Rev.01 (limited distribution).
44. The Board adopted the following decision:

DECISION B.19/12

The Board, having considered document GCF/B.19/22/Rev.02 titled “Consideration of funding proposals”:

- (a) *Takes note of the following funding proposals:*
 - (i) *Funding proposal 059 titled “Climate-Resilient Water Sector in Grenada (G-CREWS)” by Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH, as contained in document GCF/B.19/22/Add.01 and Add.31/Rev.01;*
 - (ii) *Funding proposal 060 titled “Water Sector Resilience Nexus for Sustainability in Barbados (WSRN S-Barbados)” by the Caribbean Community Climate Change Centre, as contained in document GCF/B.19/22/Add.02 and Add.31/Rev.01;*
 - (iii) *Funding proposal 061 titled “Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing States” by the Department of Environment, Ministry of Health and the Environment, Government of Antigua and Barbuda, as contained in document GCF/B.19/22/Add.03 and Add.31/Rev.01;*
 - (iv) *Funding proposal 062 titled “Poverty, Reforestation, Energy and Climate Change PROEZA Project” by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.19/22/Add.04 and Add.31/Rev.01;*

- (v) *Funding proposal 063 titled “Promoting private sector investments in energy efficiency in the industrial sector in Paraguay” by the Inter-American Development Bank, as contained in document GCF/B.19/22/Add.05 and Add.31/Rev.01;*
- (vi) *Funding proposal 064 titled “Promoting risk mitigation instruments and finance for renewable energy and energy efficiency investments” by the Inter-American Development Bank, as contained in document GCF/B.19/22/Add.06 and Add.31/Rev.01;*
- (vii) *Funding proposal 065 titled “Financial Instruments for Brazil Energy Efficient Cities (FinBRAZEEC)” by the World Bank, as contained in document GCF/B.19/22/Add.07 and Add.31/Rev.01;*
- (viii) *Funding proposal 066 titled “Pacific Resilience Project Phase II for RMI” by the World Bank, as contained in document GCF/B.19/22/Add.08/Rev.01 and Add.31/Rev.01;*
- (ix) *Funding proposal 067 titled “Building climate resilience of vulnerable and food insecure communities through capacity strengthening and livelihood diversification in mountainous regions of Tajikistan” by the United Nations World Food Programme, as contained in document GCF/B.19/22/Add.09 and Add.31/Rev.01;*
- (x) *Funding proposal 068 titled “Scaling-up Multi-hazard Early Warning System and the Use of Climate Information in Georgia” by the United Nations Development Programme, as contained in document GCF/B.19/22/Add.10 and Add.31/Rev.01;*
- (xi) *Funding proposal 069 titled “Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity” by the United Nations Development Programme, as contained in document GCF/B.19/22/Add.11 and Add.31/Rev.01;*
- (xii) *Funding proposal 070 titled “Global Clean Cooking Program – Bangladesh” by the World Bank, as contained in document GCF/B.19/22/Add.12/Rev.01 and Add.31/Rev.01;*
- (xiii) *Funding proposal 071 titled “Scaling Up Energy Efficiency for Industrial Enterprises in Vietnam” by the World Bank, as contained in document GCF/B.19/22/Add.13 and Add.31/Rev.01;*
- (xiv) *Funding proposal 072 titled “Strengthening climate resilience of agricultural livelihoods in Agro-Ecological Regions I and II in Zambia” by the United Nations Development Programme, as contained in document GCF/B.19/22/Add.14 and Add.31/Rev.01;*
- (xv) *Funding proposal 073 titled “Strengthening climate resilience of rural communities in Northern Rwanda” by the Ministry of Environment of Rwanda,³ as contained in document GCF/B.19/22/Add.15 and Add.31/Rev.01;*
- (xvi) *Funding proposal 074 titled “Africa Hydromet Program – Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project” by the World Bank, as contained in document GCF/B.19/22/Add.16/Rev.01 and Add.31/Rev.01;*

³ The term sheet for this funding proposal as set out in document GCF/B.19/22/Add.31/Rev.01 includes various provisions relating to the change of entity from the Ministry of Natural Resources of Rwanda (MINIRENA) to the Ministry of Environment of Rwanda.

- (xvii) *Funding proposal 075 titled “Institutional Development of the State Agency for Hydrometeorology of Tajikistan” by the Asian Development Bank, as contained in document GCF/B.19/22/Add.17 and Add.31/Rev.01;*
- (xviii) *Funding proposal 076 titled “Climate-friendly Agribusiness Value Chains Sector Project” by the Asian Development Bank, as contained in document GCF/B.19/22/Add.18 and Add.31/Rev.01;*
- (xix) *Funding proposal 077 titled “Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project (AHURP)” by the Asian Development Bank, as contained in document GCF/B.19/22/Add.19 and Add.31/Rev.01;*
- (xx) *Funding proposal 078 titled “Acumen Resilient Agriculture Fund (ARAF)” by Acumen Fund, Inc. as contained in document GCF/B.19/22/Add.20;*
- (xxi) *Funding proposal 080 titled “Zambia Renewable Energy Financing Framework” by the African Development Bank, as contained in document GCF/B.19/22/Add.22;*
- (xxii) *Funding proposal 081 titled “Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors” by the National Bank for Agriculture and Rural Development of India, as contained in document GCF/B.19/22/Add.23; and*
- (xxiii) *Simplified approval process (SAP) funding proposal 001 titled “Improving rangeland and ecosystem management practices of smallholder farmers under conditions of climate change in Sesfontein, Fransfontein, and Warmquelle areas of the Republic of Namibia” by the Environmental Investment Fund, as contained in document GCF/B.19/22/Add.34 and Add.35;*
- (b) Approves funding proposal 059 for the amount of EUR 35,290,095, submitted by Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (c) Also approves funding proposal 060 for the amount of USD 27,605,010, submitted by the Caribbean Community Climate Change Centre, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (d) Further approves funding proposal 061 for the amount of USD 20,000,000, submitted by the Department of Environment, Ministry of Health and the Environment, Government of Antigua and Barbuda, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (e) Approves funding proposal 062 for the amount of USD 25,060,376, submitted by the Food and Agriculture Organization of the United Nations, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (f) Also approves funding proposal 063 for the amount of USD 23,000,000, submitted by the Inter-American Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (g) Further approves funding proposal 064 for the amount of USD 103,000,000, submitted by the Inter-American Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (h) Approves funding proposal 065 for the amount of USD 195,000,000, submitted by the World Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;

- (i) Also approves funding proposal 066 for the amount of USD 25,000,000, submitted by the World Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (j) Further approves funding proposal 067 for the amount of USD 9,273,586, submitted by the United Nations World Food Programme, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (k) Approves funding proposal 068 for the amount of USD 27,053,598, submitted by the United Nations Development Programme, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (l) Also approves funding proposal 069 for the amount of USD 24,980,000, submitted by the United Nations Development Programme, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (m) Further approves funding proposal 070 for the amount of USD 20,000,000, submitted by the World Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (n) Approves funding proposal 071 for the amount of USD 86,300,000, submitted by the World Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (o) Also approves funding proposal 072 for the amount of USD 32,000,000, submitted by the United Nations Development Programme, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (p) Further approves funding proposal 073 for the amount of USD 32,794,442, submitted by the Ministry of Environment of Rwanda, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (q) Approves funding proposal 074 for the amount of USD 22,500,000, submitted by the World Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (r) Also approves funding proposal 075 for the amount of USD 5,000,000, submitted by the Asian Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (s) Further approves funding proposal 076 for the amount of USD 40,000,000, submitted by the Asian Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (t) Approves funding proposal 077 for the amount of USD 145,000,000, submitted by the Asian Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.31/Rev.01;
- (u) Also approves funding proposal 078 for up to an amount of USD 26,000,000, submitted by Acumen Fund, Inc., subject to the conditions set out in annex XII and in the respective term sheets set out in document GCF/B.19/22/Add.24;
- (v) Further approves funding proposal 080 for the amount of USD 52,500,000, submitted by the African Development Bank, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.26;
- (w) Approves funding proposal 081 for the amount of USD 100,000,000, submitted by the National Bank for Agriculture and Rural Development of India, subject to the conditions

set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.27;

- (x) Also approves simplified approval process (SAP) funding proposal 001 for the amount of USD 9,300,000, submitted by the Environmental Investment Fund, subject to the conditions set out in annex XII and in the respective term sheet set out in document GCF/B.19/22/Add.35;*
- (y) Reaffirms that pursuant to annex IV to decision B.17/09, the Executive Director or his designee is authorized to negotiate and enter into legal agreements on behalf of 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*
- (z) 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 20: Matters related to accreditation

45. The Board took note of GCF/B.19/28 titled “Further development of the accreditation framework”.

46. The Board adopted the following decision:

DECISION B.19/13

The Board, having considered document GCF/B.19/28 titled “Further development of the accreditation framework”:

- (a) Takes note of the progress report on the review of the accreditation framework included in annex XIV;*
- (b) Notes that the full report on the review of the accreditation framework with further recommendations will be presented to the Board as early as its twentieth meeting;*
- (c) Decides to extend the prioritization of entities applying for accreditation in accordance with decision B.14/08, paragraph (d)(i), until the end of the twentieth meeting of the Board;*
- (d) Takes note of the project-specific assessment approach that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner as contained in annex XIII; and*
- (e) Requests the Secretariat to further develop the approach referred to in paragraph (d) above, taking into account the views of Board members and as part of the proposals from the full review of the accreditation framework, for the Board’s consideration at its twentieth meeting.*

47. The Board took note of document GCF/B.19/14/Rev.01 titled “Status of accreditation matters”.

48. The Board adopted the following decision:

DECISION B.19/14

The Board, having considered document GCF/B.19/14/Rev.01 titled “Status of accreditation matters”:

- (a) Takes note that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in annex XV; and*
- (b) Decides that those entities referred to in annex XV are also eligible to apply under the fast-track accreditation process for the standards of GCF in accordance with decision B.08/03, paragraph (f), for entities accredited by the Adaptation Fund, and decision B.08/03, paragraph (g), for entities under the Directorate-General for International Cooperation and Development of the European Commission.*

Agenda item 21: Country programming and readiness

- (a) Progress report on the implementation of the Readiness Work Programme, including status of NAPs**

49. This agenda item was not opened.

- (b) Revised Readiness and Preparatory Support Work Programme**

50. The Board took note of document GCF/B.19/32/Rev.01 and its addendum Add.01 titled “Readiness and Preparatory Support Programme: Revised Work Programme for 2018”.

51. The Board adopted the following decision:

DECISION B.19/15

The Board, having considered document GCF/B.19/32/Rev.01 titled “Readiness and Preparatory Support Programme: Revised Work Programme for 2018”:

- (a) Takes note of the findings of the initial review by the Secretariat of the Readiness and Preparatory Support Programme referred to in decision B.18/09, paragraph (e);*
- (b) Also takes note of the immediate measures undertaken by the Secretariat to address the quality issues in the Readiness and Preparatory Support Programme as referred to in decision B.18/09;*
- (c) Requests the Secretariat to continue implementing the measures listed in annex XVI;*
- (d) Notes the revised work programme for the Readiness and Preparatory Support Programme and request for funding for 2018;*
- (e) Approves an additional amount of USD 60 million to be made available for the execution of the Readiness and Preparatory Support Programme; and*
- (f) Requests the Secretariat to submit to the Board a proposal for improving the Readiness and Preparatory Support Programme based on the outcome of the conclusions of the Secretariat’s initial review and of the independent evaluation of the Readiness and Preparatory Support Programme as soon as it is concluded.*

(c) Terms of reference for the independent evaluation of the Readiness Programme

52. The Board adopted the following decision:

DECISION B.19/16

The Board:

Approves the terms of reference for the independent evaluation of the Readiness Programme as contained in annexes XVII, XVIII and XIX.

(d) Consolidated country and entity work programmes

53. The Board took note of documents GCF/B.19/35 titled “Consolidated Country and Entity Programmes” and its addenda Add.01 (general distribution) and Add.02-04 (limited distribution).

54. No decision was taken under this agenda item.

Agenda item 22: Private sector matters

(a) Private sector outreach plan

55. The Board took note of document GCF/B.19/30 titled “PSAG recommendations on the development of a private sector outreach plan”.

56. The Board adopted the following decision:

DECISION B.19/17

The Board, having considered document GCF/B.19/30 titled “PSAG recommendations on the development of a private sector outreach plan”:

- (a) Welcomes and appreciates the recommendations from the Private Sector Advisory Group, including tailoring communication to the private sector, using existing networks and communication channels, continuing targeted requests for proposals, and ensuring expedited and predictable GCF timelines;*
- (b) Requests the Secretariat to incorporate the recommendations from the Private Sector Advisory Group into the strategic road map of the Secretariat for leveraging, mobilizing and engaging domestic and international private sector actors, the Communications Strategy of the Green Climate Fund, and other relevant policies, processes and programmes, as appropriate; and*
- (c) Requests the Secretariat to consider including a private sector outreach focus as part of the regional GCF structured dialogues.*

(b) Modalities to support activities enabling private sector involvement in least developed countries and small island developing states

57. The Board took note of document GCF/B.19/31 titled “PSAG recommendations on the development of modalities to support activities enabling private sector involvement in LDCs and SIDS”.

58. The Board adopted the following decision:

DECISION B.19/18

The Board, having considered document GCF/B.19/31 titled “PSAG recommendations on the development of modalities to support activities enabling private sector involvement in LDCs and SIDS”:

- (a) Welcomes and appreciates the recommendations from the Private Sector Advisory Group;*
- (b) Requests the Secretariat to develop modalities, based on the recommendations from the Private Sector Advisory Group, to support activities to enable domestic and international private sector actors to engage in GCF activities in least developed countries and small island developing States, for consideration by the Board at its twentieth meeting;*
- (c) Requests the Secretariat, in cooperation with private and public sector entities, accredited entities, national designated authorities and focal points, to identify and facilitate the development of funding proposals targeting least developed countries and small island developing States, which involve innovative financing structures or modalities, such as project and small-scale solution aggregation, public-private insurance structures, and on-lending and risk capital investments through climate-oriented financial intermediaries; and*
- (d) Decides to take into account the recommendations from the Private Sector Advisory Group, as appropriate, when (i) revising policies, programmes and processes, such as the accreditation framework, investment criteria indicators, the Readiness and Preparatory Support Programme, the Project Preparation Facility and the project approval process; and (ii) approving work plans and budgets relevant for private sector engagement.*

Agenda item 23: Annual Reports from the independent units

59. This agenda item was not opened.

Agenda item 24: Work programmes and budgets of the independent units

60. The Board took note of document GCF/B.19/08 titled “Independent Redress Mechanism Work Plan and Budget for 2018”.

61. The Board adopted the following decision:

DECISION B.19/19

The Board, having considered document GCF/B.19/08 titled “Independent Redress Mechanism Work Plan and Budget for 2018”:

Approves the work plan and budget of the Independent Redress Mechanism for 2018 as contained in annex II and III of document GCF/B.19/08 (total budgeted amount of USD 911,820).

62. The Board took note of document GCF/B.19/24 titled “2018 Workplan and Budget of the Independent Integrity Unit”.

63. The Board adopted the following decision:

DECISION B.19/20

The Board, having considered document GCF/B.19/24 titled “2018 Workplan and Budget of the Independent Integrity Unit”:

Approves the work plan and budget of the Independent Integrity Unit for 2018 as contained in document GCF/B.19/24 and in annex II therein, that is a total budgeted amount of USD 1,612,950.

64. The Board took note of document GCF/B.19/07 titled “2018 Work Plan and Budget and Three-year Rolling Work Plan of the Independent Evaluation Unit”.

65. The Board adopted the following decision:

DECISION B.19/21

The Board, having considered document GCF/B.19/07 titled “2018 Work Plan and Budget and Three-year Rolling Work Plan of the Independent Evaluation Unit”:

- (a) Takes note of the Three-year Rolling Work Plan of the Independent Evaluation Unit as contained in annex XX and requests the Independent Evaluation Unit to amend it once the evaluation policy of the GCF has been adopted;*
- (b) Recommends that the Three-year Rolling Work Plan be updated annually to ensure flexibility, learning and predictability for the Independent Evaluation Unit;*
- (c) Approves the 2018 Work Plan and Budget of the Independent Evaluation Unit as contained in annex XXI (budget amounting to USD 2,953,867), respectively; and*
- (d) Requests the Independent Evaluation Unit to report at each Board meeting on the implementation of its annual work plan and the Three-year Rolling Work Plan.*

Agenda item 25: Administrative matters

(a) Reviewed administrative guidelines on procurement

66. This agenda item was not opened.

(b) Report on the execution of the administrative budgets for 2017 and draft unaudited financial statements

67. This agenda item was not opened.

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

68. The Board took note of document GCF/B.19/42/Rev.01 titled “Dates and venues of the following meetings of the Board”.
69. The Board adopted the following decision:

DECISION B.19/22

The Board, having reviewed document GCF/B.19/42/Rev.01 titled “Dates and venues for the following meetings of the Board”:

- (a) *Decides that the twentieth meeting of the Board will take place in Songdo, Republic of Korea, from Sunday, 1 July to Wednesday, 4 July 2018;*
- (b) *Also decides that the twenty-first meeting of the Board will take place in Manama, Kingdom of Bahrain, from Tuesday, 23 October to Friday, 26 October 2018, with these dates to be confirmed at the twentieth 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 at least four weeks before the commencement of the twenty-first meeting of the Board.*

Agenda item 27: Other matters

- (a) Other matters from B.17

70. This agenda item was not opened.

Agenda item 28: Report of the meeting

71. The decisions as adopted and their corresponding annexes are included in this document.

Agenda item 29: Close of the meeting

72. The meeting was closed on Thursday, 1 March 2018 at 6:40 p.m.

Annex I: Draft Terms of Reference of the Permanent Trustee

I. Introduction

1. The GCF was established in December 2010 with the purpose of making a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. In the context of sustainable development, the GCF will promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.
2. The GCF was designated as an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). It is governed and supervised by a Board, which has 24 members composed of 12 members each from developing and developed countries, that has responsibility for policies and guidelines and funding decisions pursuant to the Governing Instrument for the GCF. It is supported by an independent Secretariat, which is accountable to the Board and located in Songdo, Incheon City, Republic of Korea.
3. In UNFCCC decision 1/CP.16, paragraphs 104–107, the Conference of the Parties to the UNFCCC decided that the GCF would have a Trustee with relevant competence to manage the financial assets of GCF and invited the World Bank to serve as the Interim Trustee for the GCF. As at the present, contributors had pledged approximately USD 10.3 billion for the Initial Resource Mobilization period from 2015 to 2018, and 44 contributors, including countries, regions and a city, had signed the contribution agreements and arrangements. Over USD 4 billion in the form of cash and promissory notes have been received to date.

II. Background

4. As set out in the Governing Instrument, paragraphs 24 and 25, the GCF is to have a permanent Trustee to manage its financial assets, maintain appropriate financial records and prepare the relevant financial statements and reports in accordance with the applicable decisions of the Board.
5. In decision B.08/22, the Board agreed that the process to appoint the Trustee should be concluded no later than the end of 2017 so that the Trustee can commence its services for the GCF no later than April 2018. The GCF now seeks to select a Trustee which will meet the requirements set out below.

III. Requirements

3.1 Financial rating

6. The trustee must have at a minimum a stable credit rating equivalent to AA in Standard & Poor's long-term scale (or AA in Fitch or Aa2 in Moody's long-term scales).

3.2 Experience

7. The Trustee must have a track record of providing trustee services for large multilateral funds. These services include transfer of funds, management of incoming and outgoing funds, foreign currency exchange, investment management, auditing of trust funds and accounting and reporting. In addition, it should have a proven track record of transacting with:

- (a) Governments of developed and developing country Parties to the UNFCCC;
 - (b) Regional, national and subnational accredited entities;
 - (c) International entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions;
 - (d) International organizations and civil society organizations, including non-profit philanthropic organizations; and
 - (e) Private sector entities.
8. In particular, the Trustee must be able to receive, in the form of grants, capital and loans (in the form of cash and/or promissory notes), the contributions from existing contributors and other public and/or private entities that may foreseeably contribute to the GCF.
9. The Trustee must meet the institutional requirements of the contributors, which originate from legal, institutional or any other domestic conditions.

3.3 Legal protection of GCF resources

10. The Trustee shall ensure that any GCF resources held in trust by the trustee shall:
- (a) Benefit from the same privileges and immunities as are applicable to the Trustee's own resources, and/or multilateral trust funds managed by it, which privileges and immunities shall be equivalent to those normally accorded to international organizations; and
 - (b) Be ring-fenced from the Trustee's own resources and any other resources held by the Trustee on behalf of third parties in order to ensure that GCF resources are not available to satisfy the claims of any of the creditors of the Trustee or such third parties.

Scope of services

3.4 Establishment of the GCF Trust Fund

11. The Trustee will establish the GCF Trust Fund to receive contributions from contributors and administer the contributed funds under instruction from the GCF and in accordance with the scope of the services listed below. The GCF Trust Fund must be able to maintain currencies, denominated in United States dollars, euros, Japanese yen and pounds sterling, as well as other convertible currencies (holding currencies). The Trustee will enter into a legally binding agreement with the GCF for the establishment of the GCF Trust Fund.

3.5 Administration of the GCF Trust Fund

12. The Trustee will perform investment management services of the GCF funds held in the GCF Trust Fund under the instruction of the GCF. For this purpose, the Trustee will have the capacity to present options to the Secretariat on asset allocation, such as asset class, and short-term investments based on simulation of different scenarios.
13. The Trustee shall invest in a variety of assets, with excellent environmental, social and corporate governance ratings, which meet the GCF strategic asset allocation, asset liability management and risk appetite requirements, in agreement with the GCF.

3.6 Contribution management

14. The Trustee will administer and manage the contributions to the GCF Trust Fund and manage the contribution agreements/arrangements in the following manner:
- (a) Enter into direct contribution agreements/arrangements with GCF contributors and the GCF;
 - (b) Receive contributions in the form of grants, loans, capital or reserves (in the form of cash and promissory notes) to be set aside in support of loan contributions,¹ on an agreed schedule as specified in each contribution agreement/arrangement;
 - (c) Have the ability to enter into contribution agreements/arrangements with sovereign contributors and other contributors as agreed between the Trustee and the GCF;
 - (d) Have the ability to enter into agreements/arrangements to receive contributions originating from national, subnational and private sector contributors and any other contributors, as agreed between the Trustee and the GCF; and
 - (e) Have the capacity to implement all the elements of the contribution agreements/arrangements.

3.7 Transfer of funds and reflows

15. Upon instruction from the Secretariat, the Trustee will transfer funds, in any one of the GCF holding currencies, to the GCF accredited entities, including international and direct access entities and other parties agreed between the GCF and the trustee for funding proposals and other activities approved by the GCF.

3.8 Reporting to the Board and the Secretariat

16. The Trustee will provide quarterly reports to the Board with respect to the status of resources of the GCF Trust Fund and any other reports as may be required by the Board.
17. The Trustee will also provide reports to the Secretariat with respect to records of payments made and received, the expected flows of contributions over the next 12 months and any other information with a frequency as determined by the Secretariat.
18. The Trustee will also provide to the Secretariat a detailed financial statement of transactions as well as specific information on the credit rating and duration of the financial instruments in which the GCF invests.

3.9 Legal services

19. The Trustee shall have the capacity to provide the legal services associated with the scope of services described above through an in-house legal team.

3.10 Integrity standards

¹ Certain loan contributions also include a reserve, or 'cushion', to be used as reserve in case the GCF own portfolio of loans were to be impaired. The cushion would increase the ability of the GCF to make repayments on those loan contributions.

20. The Trustee shall ensure that it has and applies fiduciary principles and standards relating to any 'know your customer' checks, anti-corruption, anti-money laundering / combating the financing of terrorism, fraud, financial sanctions and embargoes.

3.11 Auditing of the GCF Trust Fund

21. The Trustee will provide an annual audit encompassing all the portfolios and activities related to the trusteeship. The audit should be carried out by an external, internationally recognized auditing firm satisfactory to the GCF.

3.12 Other available services

22. If the Trustee has any other financial services to enhance the financial capacity and activities of the GCF, such as foreign exchange hedging products, liquidity facilities and derivatives, these services should be described in detail.

3.13 Institutional capacity

23. The Trustee must have the institutional capacity to provide all of the above-mentioned services.

3.14 Duration of the service

24. The term shall be for a period of four years, which term shall be renewable subject to a satisfactory review, as determined by the Board, by no later than the end of the third year of the term.

Annex II: Selection Process

1. All public international financial institutions known to meet the criteria of the Terms of Reference (TORs) are to be considered participating institutions in the selection of the Permanent Trustee.
2. The Secretariat will also solicit for expression of interest, by way of public advertisement and by invitation, the participation by any other public international financial institutions, through the publication of the process and the terms of reference of the permanent trustee on the Green Climate Fund website and advertising in appropriate international publications.
3. The Secretariat will invite all institutions, who have submitted the expression of interest, identified in paragraph (1) above and those institutions that meet the criteria of the TORs identified in paragraph (2) above to submit all information necessary to evaluate these institutions in line with the TORs.
4. The Secretariat will evaluate all proposals that meet the TORs against the evaluation criteria and provide its results to the ad-hoc Trustee Selection Committee.
5. In the event that a trustee is not be selected through the open international competitive bidding process (Decision B.08/21, Annex XXIX: Corporate procurement guidelines for goods and services, Appendix 1: Implementing Guidelines on Institutional Procurement, V. Open international competitive bidding), the Secretariat will follow other methods of procurement (Decision B.08/21, Annex XXIX: Corporate procurement guidelines for goods and services, Appendix 1: Implementing Guidelines on Institutional Procurement, VI. Other methods of procurement.).
6. The ad-hoc Trustee Selection Committee will present a final nominee recommendation to the Board for approval based on the above procedure.

Annex III: Indicative Timeframe for the Permanent Trustee Selection Process

	Procurement process	Trustee Selection Committee/ Secretariat	Dates
	Approval of the selection process	The Board	B.19 (1 (Thu) March 2018)
	Approval of the announcement of the selection process	Trustee Selection Committee	B.19 (1 (Thu) March 2018)
	Posting of advertisement (the time may vary depending on the advertising site/magazine)	Secretariat	By 30 (Fri) March 2018
	Submission of expression of interest	Institutions	By 20 (Fri) April 2018
	Request for submission of proposals	Secretariat	By 27 (Fri) April 2018
	Submission of proposals	Institutions	By 8 (Fri) June 2018
	Finalize the evaluation for the Committee	Trustee Selection Committee/Secretariat	By 3 (Fri) August 2018
	Finalize the decision and the recommendation for the Board	Trustee Selection Committee	By 28 (Fri) September 2018
	Decision by the Board	The Board	B.21 (October 2018)
	Contract negotiation and handover	Interim Trustee, Secretariat and Permanent Trustee	By 30 April 2019

Annex IV: Investment risk policy

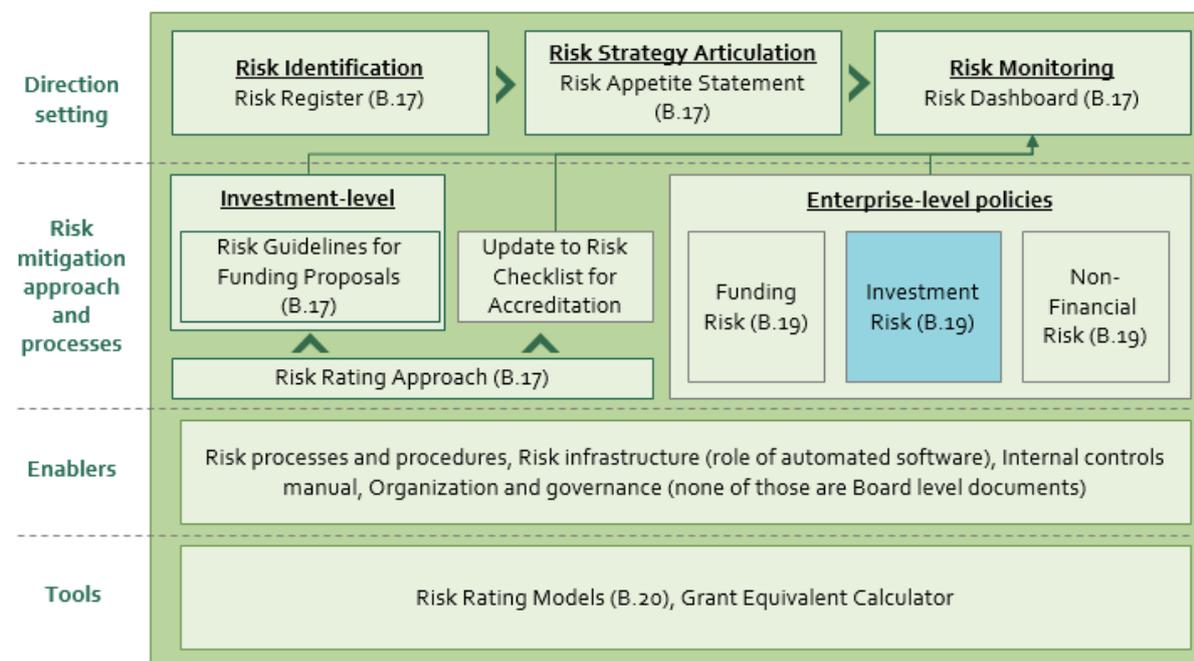
I. Introduction

1. This document presents a critical element of the Risk Management Framework (“RMF”), the policy governing investment risk management for the Green Climate Fund (“GCF”).

II. Objectives and scope

2. This document is a part of the comprehensive RMF – the components of the framework are presented below in Figure 1.

Figure 1: RMF components



3. The Investment Risk Policy (“Policy”) defines investment risk management requirements related to the risk of failure of a Funded Activity¹ or Readiness / Project Preparation Facility (“PPF”) Proposal to deliver the expected impact, or the risk of delay or shortfall of reflows² from these activities. This Policy is not intended to detail the operational processes in relation to Funded Activities or Readiness / PPF, as the operational processes will be specified in the GCF Operations Manual for the Funded Project Lifecycle.³

4. This Policy is based on the following core principles:

- (a) Ensuring sustainable financial viability for the Fund and enabling the Fund to meet its mission of promoting paradigm shift towards low-emission and climate-resilient development pathways;
- (b) Adherence to the GCF’s Risk Appetite Statement (part of the RMF) for investment risk;

¹ A Funded Activity is defined as a GCF-funded investment or payment for a climate project/programme.

² The risk of delay or shortfalls in reflows may originate from various sources – including loss in the counterparty’s willingness or ability to repay, convertibility and transfer risk, and foreign exchange losses from non-holding currency investments.

³ The GCF Operations Manual for the Funded Project Lifecycle is being drafted by the Secretariat.

- (c) Establishing fit for purpose controls and ensuring efficiency in risk management; and
- (d) Roles and responsibilities allocated:
- (i) **First Level of Responsibility (“First Level”)**: The first responsibility of risk management and control is with the accountable units who are the primary owners and managers of risk; there may also be multiple units within the Secretariat that form the First Level;
 - (ii) **Second Level of Responsibility (“Second Level”)**: For each risk, there is a Second Level of Responsibility, or a control function independent of the First Level, to ensure risks are managed given asymmetric incentives, short-termism, and optimism of risk takers; there may also be multiple units within the Secretariat that form the Second Level; and
 - (iii) **Third Level of Responsibility (“Third Level”)**: The Third Level of Responsibility focuses on review of the actions and interactions of the risk taker and risk controller, and assurance that the RMF is operating as intended.
- (e) Recognizing the role of the Accredited Entity (“AE”) in risk management given GCF’s business model of investing through AEs. The presence of the AE has the following key implications:
- (i) The AEs form a key part of the First Level of Responsibility within the scope of this policy;
 - (ii) The role of the First Level within the Secretariat (“Secretariat First Level”) is lighter, as part of the First Level responsibilities are with the AEs; and
 - (iii) An AE’s lack of ability or willingness to meet GCF’s expectations is a key source of investment risk. However, the management approach for this risk inherent to the AE is not described by this policy. This management approach is addressed in the Risk Checklist for Accreditation, Guiding Framework and Procedures for Accrediting National, Regional, and International Implementing Entities and Intermediaries, individual Accreditation Master Agreements (“AMAs”) and Funded Activity Agreements (“FAAs”).
5. The detailed roles and responsibilities of the First and Second Levels are set out in Sections III and IV below. The Third Level will develop and perform scheduled and ad-hoc audits, reviews, and assurance engagements, in order to gain assurance that the design and implementation of policies and procedures by the First and Second Levels are managing the GCF’s risks appropriately.
6. For roles and responsibilities defined in Sections III and IV of this policy, the Secretariat deems most appropriate that:
- (a) Secretariat First Level responsibilities should lie with Private Sector Facility (“PSF”), Division of Mitigation and Adaptation (“DMA”), or the Division of Country Programming (“DCP”) depending on which division originates the funding outlay. Some of these responsibilities may be given to the Portfolio Management Unit (“PMU”). The specific roles and responsibilities will be outlined in procedural documents developed by the Secretariat;
 - (b) Second Level responsibilities should lie with the Office of Risk Management and Compliance (“ORMC”) and the Office of the General Counsel (“OGC”). Some of these responsibilities may be given to PMU where they play a review or control role over First Level activities performed by the AE or Delivery Partner (“DP”);

- (c) Third Level responsibilities should lie with the Office of the Internal Auditor (“OIA”); and
 - (d) In order to ensure independence of the First and the Second Levels, the PMU may either be given some Secretariat First Level responsibilities or some Second Level responsibilities, but not both.
7. The Secretariat may re-allocate responsibilities to other divisions over time.

III. Investment risk management – Funded Activity

3.1 Initial approval of Funding Proposal

3.1.1. Risk assessment

8. The AE is responsible for conducting due diligence on the Funding Proposal (“FP”, “proposal”) prior to submitting it to the Secretariat. The AE must meet the standard of care, as defined in its AMA, when conducting its due diligence, and later through the life of the project.

9. The Secretariat First Level is responsible for co-drafting a risk assessment of the Funded Activity in the Secretariat Review with the Second Level as well as other relevant units/divisions, based on the Risk Guidelines for Funding Proposals (GCF/B.17/21, annex VIII) for investment risk. After reaching consensus, this assessment is shared with the SMT and, if recommended by the Secretariat and the Independent Technical Advisory Panel, to the Board. In addition, the Secretariat First Level is responsible for liaising with the AE, or with the Executing Entity (“EE”) via the AE, for necessary documents and information (including those requested by the Second Level, SMT, and the Board) required to complete the risk assessment⁴ of an FP.

3.1.2. Generating the risk ratings⁵ (including rating refresh)

10. The Second Level is responsible for generating a rating as defined in the Risk Rating Approach (part of the RMF)⁶ to be included in the Secretariat Review to the SMT and the Board. The rating is to be refreshed every year.

11. The Secretariat First Level is expected to collect the required information from the AE, and provide inputs for non-financial assessment required for generating the rating. Different First Level teams may be responsible for this activity before and after the first disbursement.

12. The Second Level is also responsible for tracking any delays in rating refreshes and reporting to the SMT. The SMT may approve a delay in rating generation of up to six months past its due date.

13. The rating may be considered by the SMT in its recommendation to the Board, and may be considered by the Board in taking a decision on an FP.

3.2 FAA administration

⁴ Including term sheets.

⁵ Refer to Risk Rating Approach. The delineation of responsibilities will become effective after the rating models are adopted and implemented by the Secretariat.

⁶ Further development of appropriate risk rating models will be brought to the Board for consideration as requested in Decision B.17/11

3.2.1. Activities leading up to FAA signing

14. The First Level, in collaboration with the Second Level, is responsible for reviewing and approving the FAA and the set of documents received for completeness from a risk perspective and ensuring that all risk conditions have been met.

- (a) The AE is responsible for promptly collecting necessary documents for Funded Activities in a timely fashion and ensuring adequate maintenance of all documents related to individual Funded Activities.
- (b) The Secretariat First Level is responsible for collecting required documents and other information from the AE regarding the FAA.

3.2.2. Disbursements to the AE

15. The First Level, in collaboration with the Second Level, clears any conditions required to be met for disbursements to the AE. The Second Level is also responsible for providing legal advice on disbursements as requested by the Secretariat and taking safe custody of all legal documents.

16. The First Level initiates the checks for conditions tied to the disbursement of Funds.

3.3 Funded Activity monitoring

3.3.1. Individual Funded Activity monitoring

17. The AE is responsible for monitoring each Funded Activity in line with the AE's own internal rules, policies and procedures, and responsibilities set forth in the relevant FP and AMA/FAA with the standard of care as defined in the AMA. It also provides interim and final evaluation reports and other ad hoc reports for each Funded Activity to the Secretariat First Level as specified in applicable legal agreements.

18. The Secretariat First Level is responsible for the following activities:

- (a) Providing necessary inputs to the Second Level to populate the GCF Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis; and
- (b) Reviewing interim and final evaluation reports and other ad hoc reports provided by the AE on the Funded Activity and monitoring compliance with the FP, AMA/FAA, and the GCF's own internal policies and guidelines.

19. The Second Level is responsible for the following activity:

- (a) Developing a recommendation, independent of the First Level, on any action required for improving the GCF's investment risk management for the project/programme and strengthening its adherence to the Risk Appetite Statement. This recommendation will be discussed with the First Level, reviewed and finalized with the Office of the Executive Director ("OED").

3.3.2. Portfolio monitoring

20. The Second Level is responsible for developing a recommendation, independent of the First Level, on any action required for improving the GCF's investment risk management at a portfolio level and strengthening its adherence to the GCF Risk Appetite Statement (GCF/B.17/21, annex VI). This recommendation will be discussed with the First Level, reviewed and finalized with the OED.

21. The Secretariat First Level is responsible for monitoring delinquent, non-performing loans and losses of Funded Activities, and providing necessary inputs to the Second Level to populate the Risk Dashboard (the Second Level will share the Risk Dashboard with the SMT, RMC and the Board on a quarterly basis).

3.4 Annual review of Funded Activity

22. The AE is responsible for providing the Annual Performance Report for each Funded Activity to the Secretariat First Level, as specified in the AMA/FAA. It is also responsible for liaising with the EE for any information requests or issues raised during the review process.

23. The Secretariat First Level is responsible for reviewing the Annual Performance Report and other annual reports of Funded Activities provided by the AE, and raising identified issues in its annual Portfolio Performance Review (“PPR”). It is also responsible for liaising with the AE for any information requests or issues raised during the review process and working collaboratively with the Second Level in reviewing the PPR.

3.5 Funded Activity default situation

24. A Funded Activity is considered to be in a default situation if the “event of default” or equivalent as defined in the AMA/FAA has occurred.

3.5.1 AMA/FAA default or non-compliance situation⁷

25. The Secretariat First Level works collaboratively with the Second Level in reviewing the default situation, the remedial action plan, the step-in decision, the step-in plan and the implementation of the plans.

IV. Investment risk management – Readiness/PPF Project

4.1 Readiness/PPF Proposal Review

26. The GCF is taking a programmatic approach to Readiness/PPF Proposals. Given this programmatic approach, the Second Level need not approve every single proposal. However, the Second Level will review key parameters of the programme. The Second Level is also responsible for developing and maintaining the Risk Guidelines for Readiness/PPF.

27. The Secretariat First Level is responsible for leading the review of the Readiness/PPF Proposals. The proposals will be approved by the delegated authority levels for the Readiness/PPF projects (currently the Readiness Working Group (“RWG”) or the OED).

4.2 New Grant Agreement and Readiness Framework Agreement⁸ administration

28. The Second Level is responsible for ensuring the adequacy of all documents from a legal perspective.

⁷ This section should be reviewed after the development of the Restructuring/Cancellation Policies by the Secretariat.

⁸ Refers to any legal agreement pertaining to the funding of Readiness and PPF projects, including Readiness Framework Agreements and Readiness Grant Agreements

29. The Secretariat First Level is responsible for collecting required documents and other information from the National Designated Authority (“NDA”)/DP/AE regarding Grant Agreement or Readiness Framework Agreement administration.

4.3 Readiness/PPF portfolio monitoring

30. The Second Level is responsible for conducting a check of monitoring results at a portfolio level and reviewing any issues or recommended actions by the Secretariat First Level, in consensus with the authority which originally approved the project based on the Endorsement and Approval Authority and Thresholds.

31. The Secretariat First Level is responsible for conducting monitoring activities (including collection of necessary information from the NDA/DP/AE).

4.4 Readiness/PPF Disbursement

32. The Second Level is responsible for providing legal advice on disbursements as requested.

33. The Secretariat First Level is responsible for initiating each disbursement, taking into account the latest monitoring results and holding back disbursements when deemed appropriate. The Secretariat First Level works collaboratively with the Second Level to clear the disbursements before the instructions are sent to Finance.

V. Foreign Exchange (“FX”) risk in reflows⁹

34. Non-holding currency reflows expose the GCF to FX risk. Recalling its ability to take on risks that other funds/institutions are not able or willing to take, the GCF will on occasions take such FX risks to meet its mandate. Otherwise, it will either pass on this risk to the counterparties through the FAA, or account for such FX risks in structuring the deal terms within the relevant FPs.

VI. Administrative provisions

35. This Policy will take effect on 2 April 2018.

36. This policy shall be reviewed every two years, but earlier reviews and consequential revisions may occur upon recommendation by the Secretariat or following a request from the RMC or the Board. Any resulting revisions to this policy which are of a material and/or substantive nature shall be presented to the Board for its consideration and approval.

⁹ The FX risk on the liability side is covered by the Funding Risk policy.

Annex V: Non-financial risk policy

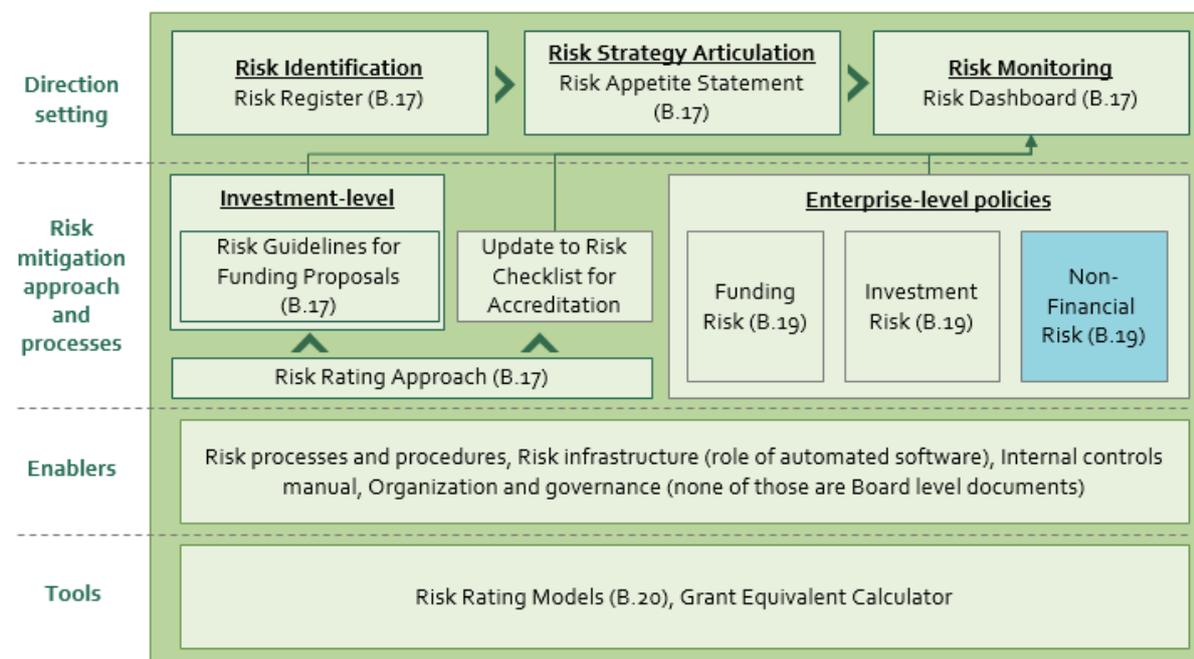
I. Introduction

1. This document presents a critical element of the Risk Management Framework (“RMF”), the policy governing non-financial risk management for the Green Climate Fund (“GCF”).

II. Objectives and scope

2. This document, the Non-financial Risk Policy (“policy”), is a part of the comprehensive RMF – the components of the framework are presented below in Figure 2.

Figure 2: RMF components



3. Non-financial Risk is defined as the potential for financial and non-financial losses arising from the failure of people, process, or technology or the impact of external events. It covers the following risk types defined in the Risk Register:

- (a) **GCF Operational Process Error Risk:** Failure to meet the GCF's internal operations standards or non-compliance with external requirements (such as country laws or international agreements) that affect operations activities;
- (b) **Staffing Risk:** Operational failures, losses and other disruptions arising from the staffing model of the GCF, including staff headcount level and external consultants, as well as from problems with recruitment, retention, succession planning, development, integrity and morale among the GCF staff;
- (c) **Disasters and Other Events Risk:** Disruption of business due to natural or man-made catastrophic disasters;
- (d) **IT Systems Failure Risk:** Disruption of business due to unavailability / inaccessibility of IT infrastructure and applications;

- (e) **Cyber Attack Risk:** Misappropriation of internal data and/or information by a third party through IT means,¹ such as system security breach, hacking, phishing attacks, cybercrime, and malware / virus attacks; and
- (f) **Reputation Risk:** Adverse perception which has a material effect on the credibility of the GCF (beyond the reputational damage which may be incurred due to one of the other risks in the Risk Register).
4. IT Systems Failure Risk and Cyber Attack Risk are hereinafter collectively referred to as “IT Risk”.
5. The management approach to Disasters and Other Events Risk is described under Business Continuity Management (“BCM”) in Section IV of this policy. BCM is a broader programme aimed at ensuring business continuity through the prevention and mitigation of Operational and IT Risk events.
6. This policy design is guided by the following principles:
- (a) Ensuring sustainable viability for the GCF and enabling the GCF to meet its mission of promoting paradigm shift towards low-emission and climate-resilient development pathways;
- (b) Adhering to the GCF’s Risk Appetite Statement (part of the RMF) for Operational and IT Risk and Reputation Risk;
- (c) Establishing fit for purpose controls and ensuring efficiency in risk management; and
- (d) Allocating roles and responsibilities:
- (i) **First Level of Responsibility (“First Level”):** The first responsibility of risk management and control is with the accountable units who are the primary owners and managers of risk; there may be multiple units within the Secretariat that form the First Level of Responsibility;
- (ii) **Second Level of Responsibility (“Second Level”):** For each risk, there is a Second Level of Responsibility, or a control function independent of the First Level, to ensure risks are managed given asymmetric incentives, short-termism, and optimism of risk takers; there may be multiple units within the Secretariat that form the Second Level of Responsibility; and
- (iii) **Third Level of Responsibility (“Third Level”):** The Third Level of Responsibility focuses on review of the actions and interactions of the risk taker and risk controller, and assurance that the RMF is operating as intended.
7. The detailed roles and responsibilities of the First and Second Levels are set out in sections III, IV, V, and VI below. The Third Level will develop and perform scheduled and ad-hoc audits, reviews, and assurance engagements, in order to gain assurance that the design and implementation of policies and procedures by the First and Second Levels are managing the GCF’s risks appropriately.

III. Roles and Responsibilities: GCF Operational Process Error Risks and IT Risks

¹ Cyber attack risk could include falsification of internal data and/or information through IT means. This risk could also be created by the actions of internal parties.

8. Operational Process Error Risk arises from all GCF's activities. The following are the GCF's key activities and functions responsible (which the Secretariat deems most appropriate).² The Secretariat is responsible for nominating the Operational Risk Owners for all operational processes. The Operational Risk Owners are defined as the representatives of the First Level of Responsibility for operational process error risk:

- (a) Accreditation process: Division of Country Programming ("DCP");
- (b) Funding Proposal ("FP", "proposal") review process: Private Sector Facility ("PSF") and Division of Mitigation and Adaptation ("DMA"), for private and public proposals, respectively;
- (c) Interim processes between Funding Proposal approval and signing a Funded Activity Agreement ("FAA"): PSF, DMA or DCP with the Office of the General Counsel ("OGC");
- (d) Disbursement process: Chief Financial Officer ("CFO"); and
- (e) Monitoring and evaluation: Portfolio Monitoring Unit ("PMU").

9. Other processes requiring an Operational Risk Owner include: Review process for other proposal types (PPFs, Readiness),³ Human Resources ("HR") processes, Procurement processes, and other Finance processes (such as cash flow management and FX hedging).

10. Operational Risk Owners for operational process error risks are responsible for the following:

- (a) Providing information to the Second Level required to populate the Operational Risk section of the Risk Dashboard, which the Second Level will share with the Secretariat's senior management team ("SMT"), RMC, and the Board on a quarterly basis;
- (b) Ensuring all material risks are identified, assessed, mitigated, and monitored (e.g. conducting a risk control self-assessment);⁴
- (c) Proposing and implementing control enhancements, in line with the GCF Risk Appetite Statement;
- (d) Reporting on monitoring metrics (identified in the risk control self-assessment) to the Second Level; and
- (e) Reporting each risk event to the Second Level together with a proposed assessment of impact level⁵ and a proposal for changes in controls (if required).

11. IT Risks arise from all IT systems used by the GCF. The Secretariat will nominate an IT Risk Owner,⁶ defined as the representative of the First Level of Responsibility for IT risks. The IT Risk Owner is responsible for the following:

- (a) Providing information to the Second Level required to populate the IT Risk section of the Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis;

² The Secretariat may choose other divisions for these processes over time. The processes themselves may also change over time.

³ Readiness includes National Adaptation Plans; PPF: Project Preparation Facility.

⁴ Risk Control Self-Assessment ("RCSA") as described in the Secretariat's internal controls manual (under development).

⁵ The impact levels "Low", "Somewhat non-disruptive", "Somewhat disruptive" and "High" have been defined in GCF's Risk Register.

⁶ The IT Risk Owner will likely belong to Information and Communications Technology ("ICT") within Division of Support Services ("DSS"), and will likely be nominated by the Head of ICT.

- (b) Ensuring all material risks are identified, assessed, mitigated, and monitored (e.g. conducting a risk control self-assessment);
 - (c) Proposing and implementing control enhancements, in line with the GCF Risk Appetite Statement;
 - (d) Reporting on monitoring metrics (identified in the risk control self-assessment) to the Second Level; and
 - (e) Reporting each risk event to the Second Level together with a proposed assessment of impact level and a proposal for changes in controls (if required).
12. A risk control self-assessment must be conducted annually for high priority processes and at least once in three years for lower priority processes.
13. The Second Level of Responsibility for Operational Process Error Risk and IT Risk is the ORMC, which has the following responsibilities:
- (a) Reviewing the Risk Dashboard results for Operational Risk and IT Risk;
 - (b) Prioritizing processes (annually) on which risk control self-assessments are conducted, and selecting the risk events posing the highest risk levels for further mitigation;
 - (c) Reviewing and confirming risk control self-assessment outputs, and the proposed control enhancements;
 - (d) Finalizing the impact level of risk events and reporting “High” and “Somewhat disruptive” impact events to the Office of the Executive Director (“OED”) together with recommendations for further action;
 - (e) Advising the SMT, OED and RMC on key risks, the effectiveness of mitigants and controls, and alignment of residual risks with the Risk Appetite; and
 - (f) The Second Level will develop a recommendation, independent of the First Level, on any action required for improving the GCF’s Operational Process Error Risk and IT Risk management and strengthening its adherence to the Risk Appetite Statement. This recommendation will be discussed with the First Level, reviewed and finalized with the OED.
14. The Third Level of Responsibility for Operational Process Error Risk and IT Risk is the Office of the Internal Auditor (“OIA”).

IV. Business Continuity Management

15. The Heads of all GCF divisions are responsible for reporting to the ORMC and OED without undue delay, after they become aware of it, any risk event covered by this policy that threatens the safety and security of the GCF’s overall operations.
16. The OED serves as the crisis director with the authority to confirm that the risk event occurring should be classified as a business disruption event and decide on the necessary measures and response plan upon the occurrence of that event.
17. The OED will notify all units of the GCF immediately upon occurrence and confirmation of a business disruption event. The ORMC will immediately report the business disruption event to the RMC. The crisis director is supported by a security task force, which shall be established by the Executive Director.

18. The security task force is responsible for developing and testing the business continuity plans to be executed upon occurrence of a business disruption event, and establishing a remote work model for the GCF operations during disruptions events.

V. Reputation Risk Management

19. Reputation Risk refers to the risk of adverse public perception which has a material effect on the credibility of the GCF.

20. Reputation Risk arises from not only GCF's activities, but also the public perception that may follow breaches in tolerance levels for all other risk types specified in the GCF Risk Register.

21. The Secretariat and the Independent Units of the GCF will jointly develop Protocols for identifying, managing and mitigating Reputational Risks arising out of or related to the implementation of the mandates of the Independent Units.

22. The Secretariat will nominate a Reputation Risk Owner. The Reputation Risk Owner is responsible for the following:

- (a) Providing information to the Second Level required to populate the Reputation Risk section of the Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis;
- (b) Maintaining and implementing a Communications Plan that actively tries to mitigate reputation risk;
- (c) Monitoring various sources of information relevant to Reputation Risk;
- (d) Developing and implementing a Response Plan for high impact Reputation Risk threats (a Response Plan will be required for any reputation risk events stemming from underlying risks for which the GCF has zero risk tolerance, per the GCF Risk Appetite Statement); and
- (e) Collaborating with the Second Level to ensure that when developing controls for managing risks for which the GCF has zero risk tolerance per its Risk Appetite Statement, approaches to manage reputation risk arising from such risk events are also built in.

23. The heads of all GCF divisions are responsible for reporting to the Reputation Risk Owner any threats they foresee to the GCF's reputation. These threats will be taken into account by the Reputation Risk Owner in developing the Communications Plan and any Response Plan.

24. The ORMC plays the Second Level of Responsibility role, and is responsible for the following in mitigating reputation risk:

- (a) Finalizing the impact level of Reputation Risk threats, and reporting high impact events to the OED with recommendations for further action;
- (b) Reviewing the Risk Dashboard results for Reputation Risk; and
- (c) Reviewing and challenging the Communications Plan or Response Plan prepared by the Reputation Risk Owner from a risk perspective, and tracking the GCF's progress against the plan.

25. The Third Level of Responsibility for Reputation Risk is the Office of the Internal Auditor ("OIA").

VI. Staffing Risk Management⁷

26. Maintaining a Secretariat staff with appropriate skills and qualifications in line with the principles and guidelines set out in the Administrative Guidelines on Human Resources or any successor guidelines or policy is one of the main tenets of effective risk management at the GCF.
27. The Secretariat will nominate a Staffing Risk Owner. The Staffing Risk Owner is responsible for the following:
- (a) Working with other units within the Secretariat to assess current and future staffing and skills requirements;
 - (b) Providing information to the Second Level required to populate the staffing risk section of the Risk Dashboard, which the Second Level will share with the SMT, RMC, and the Board on a quarterly basis;
 - (c) Reviewing staff complaints to identify any systematic themes;
 - (d) Developing succession plans; and
 - (e) Taking into account the relevant human resources guidelines or policies in force when dealing with matters related to staffing risk.
28. The ORMC plays the Second Level of Responsibility role, and will be responsible for:
- (a) Reviewing the GCF Risk Dashboard results and succession plan; and
 - (b) Developing a recommendation, independent of the First Level, on any action required for improving the GCF's staffing risk management and strengthening its adherence to the Risk Appetite Statement. This recommendation will be discussed with the First Level, reviewed and finalized with the OED.
29. The Third Level of Responsibility for Staffing Risk is the Office of the Internal Auditor ("OIA").

VII. Administrative provisions

30. This Policy takes effect on 2 April 2018.
31. This policy shall be reviewed every two years, but earlier reviews and consequential revisions may occur upon recommendation by the Secretariat or following a request from the RMC or the Board. Any resulting revisions to this policy which are of a material and/or substantive nature shall be presented to the Board for its consideration and approval.

⁷ This section will be reviewed when the updated Administrative Guidelines on Human Resources is approved by the Board.

Annex VI: Funding risk policy

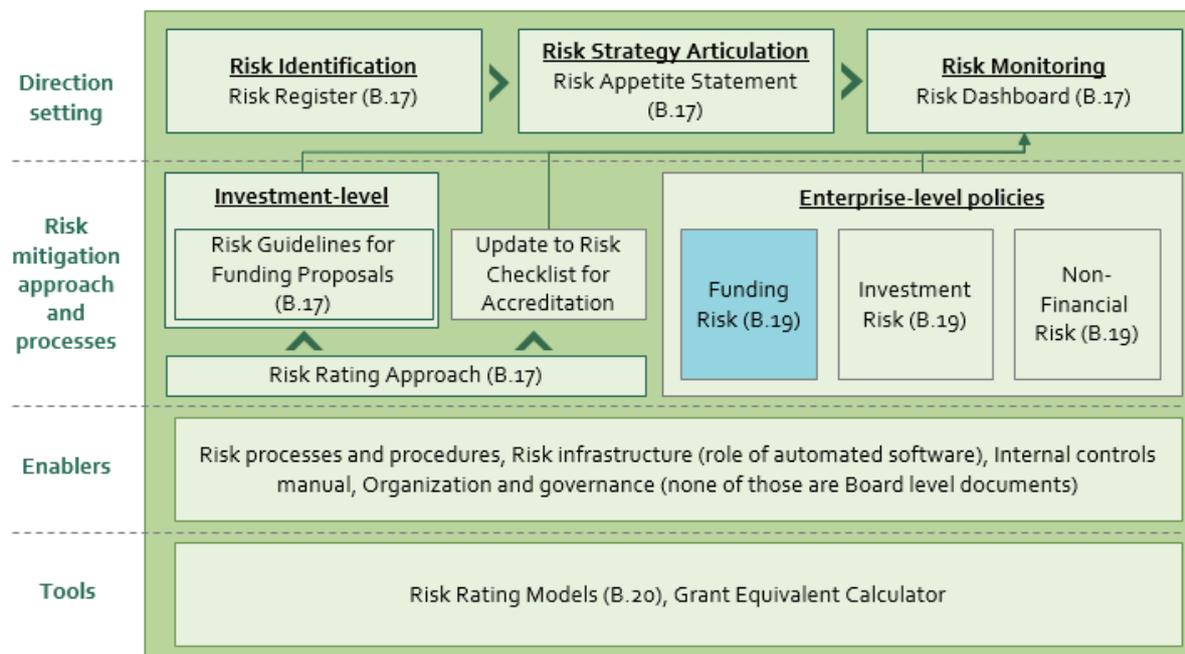
I. Introduction

1. This document presents a critical element of the Risk Management Framework (“RMF”), the policy which governs funding risk management for the Green Climate Fund (“GCF”).

II. Objective and scope

2. This document, the Funding Risk Policy (“policy”) is a part of the comprehensive RMF – the components of the framework are presented below in Figure 3.

Figure 3: RMF components



3. This document presents the policy governing funding risk management for the GCF. It covers the following risk types defined in the GCF’s Risk Register:

- (a) **Liquidity risk:** The risk of incurring a timing mismatch between cash inflows and cash outflows leading to shortages in the ability of the GCF to face its payment obligations.
- (b) **Contribution uncertainty risk:** The risk of failing to convert all pledges into contributions in total, or within the promised time frame.
- (c) **Foreign exchange (“FX”) risk on the liabilities side:**¹ The risk of incurring losses in the value of contributions due to FX rate fluctuations.
- (d) **Funds held in Trust:** The risk of incurring losses in the value of investments of the GCF’s funds held with the Trustee due to market movements in the price of the securities, and failing to comply with the GCF’s policies on Funds Held in Trust.

¹ The FX risk on the assets side (the risk of incurring losses in the value of reflows due to FX fluctuations) is covered by the Investment Risk policy.

4. The policy design is guided by the following principles:
- (a) Adherence to the GCF’s Risk Appetite Statement for funding risk.
 - (b) Establishing fit for purpose controls and ensuring efficiency in Risk Management.
 - (c) Roles and responsibilities are allocated:
 - (i) **First Level of Responsibility (“First Level”)**: The first responsibility of risk management and control is with the accountable units who are the primary owners and managers of risk; there may be multiple units within the Secretariat that form the First Level of Responsibility;
 - (ii) **Second Level of Responsibility (“Second Level”)**: For each risk, there is a Second Level of Responsibility, or a control function independent of the First Level, to ensure risks are managed given asymmetric incentives, short-termism, and optimism of risk takers; there may be multiple units within the Secretariat that form the Second Level of Responsibility; and
 - (iii) **Third Level of Responsibility (“Third Level”)**: The Third Level of Responsibility focuses on review of the actions and interactions of the risk taker and risk controller, and assurance that the RMF is operating as intended.
5. The detailed roles and responsibilities of the First and Second Levels are set out in Sections IV and V below. The Third Level will develop and perform scheduled and ad-hoc audits, reviews, and assurance engagements, in order to gain assurance that the design and implementation of policies and procedures by the First and Second Levels are managing the GCF’s risks appropriately.
6. The Secretariat deems most appropriate that First Level responsibilities should lie with the Chief Financial Officer (“CFO”) and Second Level responsibilities should lie with the Office of Risk Management and Compliance (“ORMC”). Third Level responsibilities should lie with the Office of the Internal Auditor (“OIA”). The Secretariat may choose other divisions for these responsibilities over time.

III. Definitions

7. The following are the definitions of the key terms applicable for this policy.

Term	Definition
Liquid asset portfolio	The liquid asset portfolio is defined as securities, cash or cash equivalents held in Trust or in the GCF’s bank accounts.
Liquidity reserve	The liquidity reserve, as specified in the Risk Appetite Statement, is the amount of funds the GCF needs to hold in cash, cash equivalents, or in securities with duration of less than one year, in order to meet its liquidity risk appetite.

Net funding requirement	Net funding requirements over a period of time are defined as the planned outflows over the period of time (including funding disbursements and Board and Secretariat (including independent units) expenses) net of the planned contribution encashments over the same period of time. It should be noted that at present, the GCF does not plan to use planned project reflows to reduce net funding requirements. This decision should be reviewed in the future once reflows become more than 20% of the GCF's planned inflows over a one year period.
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IV. Policy requirements and roles and responsibilities

4.1 Liquidity risk

8. The Fund's liquidity risk appetite in the Risk Appetite Statement requires the GCF's liquidity reserve (on any day) to be sufficient to sustain the GCF's net funding requirements for at least 1 year.
9. The First Level will be responsible for ensuring that the liquidity reserve of the GCF is monitored and managed within the level specified in the Risk Appetite Statement. The First Level's responsibilities will include:
 - (a) Ensuring that the Fund's liquidity risk profile is maintained within tolerance levels defined in the GCF's Risk Appetite Statement and all requirements defined in this policy;
 - (b) Monitoring the Fund's liquid asset portfolio (including necessary financial/cash flow analyses) on a regular basis and informing the Second Level and the SMT about any significant changes;
 - (c) Monitoring adherence for the Funds held in Trust to the requirements in this policy, specifically the requirements specified in Section 4.4, and to the Risk Appetite Statement, and driving corrective action as required; and
 - (d) Providing information on the Fund's liquid asset portfolio to the Second Level and the SMT. This information is needed by the Second Level to populate the Liquidity Risk section in the Risk Dashboard, which the Second Level will share with the SMT, RMC, and the Board on a quarterly basis.
10. The Second Level will review the liquidity reserve forecasts provided by the First Level for alignment with the GCF's Risk Appetite Statement and this policy, and will review the liquidity risk information provided by the First Level. The Second Level will develop a recommendation, independent of the First Level, on any action required for improving the Fund's liquidity risk management and strengthening its adherence to the Risk Appetite Statement. This recommendation will be discussed with the First Level, reviewed and finalized with the Office of the Executive Director ("OED").
11. In the event of a breach of the Liquidity Risk Appetite, the First Level will inform the Second Level, SMT, and the RMC immediately. The First Level will initiate the process of taking corrective action for the breach (such as increasing the Funds held as Liquidity Reserve, reducing or delaying planned expenses, expediting contributions and their encashment). The corrective action will be finalized collaboratively, taking inputs from the Second Level. The First Level will inform the SMT and the RMC of the corrective action.

4.2 Contribution uncertainty risk

12. Predictable funding is essential for the GCF to achieve its objectives. The GCF will take necessary actions to protect the predictability of its financial resources, including: diversifying sources of contributions across a range of contributors; managing cancellation or postponement of contribution commitments and other changes in cash payment and promissory deposit and encashment schedules; ensuring to convert the pledges or encashment of promissory notes in a timely manner; and preventing over-concentration of payments, deposited promissory notes, and contributions to be encashed.²

13. The First Level will be responsible for ensuring that contribution uncertainty risk is monitored and managed as required in the Risk Appetite Statement. The First Level's responsibilities will include:

- (a) Monitoring and providing information on the Fund's contribution uncertainty to the Second Level and the SMT. This information is needed by the Second Level to populate the Contribution Uncertainty Risk section in the Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis. The monitored metrics include:
 - (i) Total contributions received and their concentration levels by contributing country;
 - (ii) Total unpaid and unencashed contributions and their concentration levels by contributing country; and
 - (iii) Any changes from the original contribution agreements/arrangements and the agreed encashment schedules.
- (b) In case of significant contribution uncertainty risk, developing a resource mobilization plan (consistent with this policy) and executing the plan. The plan will be developed collaboratively taking inputs from the Second Level. The plan may include, but is not limited to:
 - (i) Monitoring upcoming payments, promissory note deposits and encashments, and the conditions attached to future deposits, encashment, and preparing an action plan for the Secretariat to meet those conditions;
 - (ii) Communicating in advance with contributors about upcoming payments, promissory notes deposits and encashments; and
 - (iii) Monitoring the triggers for replenishment.

14. The resource mobilization plan, if needed, will be shared with the SMT and the RMC.

15. The Second Level will develop a recommendation, independent of the First Level, on any action required for improving the contribution uncertainty risk management and strengthening its adherence to the Risk Appetite Statement. This recommendation will be discussed with the First Level, reviewed and finalized with the OED.

4.3 Foreign exchange ("FX") risk

16. The First Level will be responsible for ensuring the Fund adheres to the following requirements from the Risk Appetite Statement:

- (a) Contributions already received and encashed will be held in holding currencies. Contributions in non-holding currencies will be converted into holding currencies on

² As per the Risk Appetite Statement.

receipt of funds, at a proportion determined by the First Level based on their expectation of future cash outflows; and

- (b) Future expected encashments of promissory notes, cash payments not yet received and promissory notes not yet deposited and unencashed in non-holding currencies are not required to be hedged; however, the First Level may decide to implement a hedging strategy for additional conservatism. Any such strategy will be developed collaboratively taking inputs from the Second Level, should consider recommendations from the RMC and will need to be agreed with the SMT and, where appropriate, the Board.
17. The First Level will be responsible for ensuring that FX risk of the GCF is monitored and managed within the level specified in the Risk Appetite Statement. The First Level's responsibilities will include:
- (a) Giving direction to the Trustee consistent with this policy, specifically the requirements specified in Paragraphs 16(a) and 16(b), and the Risk Appetite Statement, monitoring adherence to those parameters, and taking corrective action (e.g., conversion of contributions to holding currencies) as required; and
 - (b) Providing information on the Fund's FX risk to the Second Level and the SMT. This information is needed by the Second Level to populate the FX Risk section in the Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis.
18. The Second Level will build its view, independent of the First Level, on any action required for improving the Fund's FX risk management and strengthening its adherence to the Risk Appetite Statement. This view will be discussed with the First Level, reviewed and finalized with the OED.

4.4 Funds Held in Trust risk

19. Investment of the Fund's liquid asset portfolio will meet the following requirements as defined in the Risk Appetite Statement:
- (a) Liquid asset portfolio will only be invested in investment grade securities;
 - (b) The Fund will target average credit rating of [AA] equivalent by international rating agencies, or an equivalent risk metric approved by the Board, for its liquid asset portfolio;
 - (c) The funds earmarked for the GCF's liquidity reserve will only be invested in securities with duration no longer than one year. All other funds in the liquid asset portfolio (representing the Fund's excess liquidity) will only be invested in securities with duration no longer than five years and average duration no longer than two years; and
 - (d) The GCF will refrain from making investments that go against the Fund's mission to promote paradigm shift towards low-emission and climate-resilient development pathways.
20. The First Level will be responsible for ensuring that Funds Held in Trust risk of the GCF is monitored and managed within the level specified in the Risk Appetite Statement. The First Level's responsibilities will include:
- (a) Developing and executing an investment plan that ensures that the Funds Held in Trust risk profile is maintained within tolerance levels defined in GCF's Risk Appetite

- Statement and all requirements defined in this policy. The First Level will develop this plan collaboratively, taking inputs from the Second Level;
- (b) Setting investment parameters for the Trustee consistent with this policy, specifically the requirements specified in Paragraph 19, and the Risk Appetite Statement, monitoring adherence to those parameters, and taking action (e.g., re-allocation of the assets in the liquid asset portfolio) as required;
 - (c) Providing information on the GCF's Funds Held in Trust risk to the Second Level and the SMT. This information is needed by the Second Level to populate the Funds Held in Trust Risk section in the Risk Dashboard, which the Second Level will share with the SMT, RMC and the Board on a quarterly basis.
21. The Second Level will develop a recommendation, independent of the First Level, on any action required for improving the GCF's Funds Held in Trust risk management and strengthening its adherence to the Risk Appetite Statement. This view will be discussed with the First Level, reviewed and finalized with the OED.
22. In the event of a breach of the Funds Held in Trust Risk Appetite, the First Level will inform the Second Level, SMT, and the RMC immediately. The First Level will initiate the process of taking corrective action for the breach (such as rebalancing the liquid asset portfolio). The corrective action will be finalized collaboratively, taking inputs from the Second Level. The First Level will inform the SMT and the RMC of the corrective action.

V. Solvency concerns

23. Solvency risk refers to the Fund's inability to meet its financial commitments due to a shortfall in its available funds relative to its commitments. The Fund will take all necessary measures to avoid any solvency events during its operations.
24. The Fund only makes investment commitments when a matching source of funding is available (in the form of unmatched cash, cash equivalents, securities or promissory notes). Such matching of source of funds for each investment commitment helps reduce the Fund's exposure to solvency risk.
25. Investment commitments made where the matched funding sources are not in the same currencies as the investment commitment expose the Fund to solvency risk in case the investment currency appreciates against the currencies of the matched funding sources.³
26. Such solvency risk exposure arises in two kinds of situations – when the investment commitment is made in a holding currency, but the matched funding sources are in different currencies (partially, or wholly);⁴ or when the investment commitment is made in a non-holding currency.⁵
27. To mitigate this solvency risk arising from currency differences between investment commitments and the matched funding sources, for investment commitments due in the immediate 12 months, the GCF will match the source of funds in the same currency as the investment commitments (through actions such as currency exchanges etc.).⁶ This approach

³ FX depreciation of GCF investment commitments would not create solvency issues as defined in this Policy.

⁴ Either in other holding currencies, or in promissory notes in non-holding currencies from a contributor country.

⁵ It should be noted that extent of solvency risk exposure arising from investment commitments in non-holding currencies is limited by the diverse set of currencies the GCF may invest in, which provides a natural hedge to the GCF against investment currency appreciation.

⁶ Conversion of funds to non-holding currencies may not be feasible within the Trustee account given the Interim Trustee Agreement. Hence either the GCF will hold non-holding currency assets in an alternative account, and if that

will help manage the fund's exposure to solvency risk in the near term (the immediate 12 months).⁷

28. Beyond the immediate 12 months, where the matched source of funds is not in the investment currency but are available in cash or cash equivalents in another currency, the Fund will convert the matched source of funds to the investment currency.⁸

29. For the remaining matched source of funds that are not available in cash or cash equivalents and which are not in the investment currency (e.g., matched source of funds in the form of promissory notes in another currency), the Fund will set aside an FX commitment risk buffer at an initial target amount of 20% of the Fund's nominal investment commitment amount for which the matched source of funds is not in the investment currency. This buffer is not intended to support individual projects from FX fluctuation losses that they may suffer, but to protect the GCF from solvency risk. Further, holding this buffer will result in a reduction in the GCF's commitment authority (which will then adjust as the size of the buffer is recalculated over time).

30. The Secretariat can review and modify the FX buffer amount over time as necessary. Furthermore, the Secretariat will report the status of the FX positions together with the FX buffer and amount of currency mismatch to the Second Level, the RMC, and the Board on a quarterly basis.

31. The GCF will monitor the sufficiency of the buffer versus the target level on a quarterly basis. If the buffer falls below the designated target level due to appreciation in some investment currencies, the Secretariat First Level will develop a plan to replenish the buffer back above the target level no later than one month from the day the breach of the target level was first identified.

32. The First Level will be responsible for maintaining the proposed FX commitment risk buffer and reporting on size of the buffers versus the target levels, and recommending any actions required (to replenish the buffer). The action will be finalized collaboratively, taking inputs from the Second Level. The actions should consider recommendations from the RMC and will need to be agreed with the SMT and, where appropriate, the Board.

33. The Second Level will develop a recommendation, independent of the First Level, on any action required for improving the Fund's solvency management. This recommendation will be discussed with the First Level, reviewed and finalized with the OED.

VI. Administrative provisions

34. The provisions of this policy will take effect on 2 April 2018. If the Interim Trustee is unable to implement the requirements in the policy, they will become applicable after the selection of the Permanent Trustee. Until that time, the GCF should monitor the Fund's adherence to these requirements to the extent possible under the current agreement.

35. This policy shall be reviewed every two years, but earlier reviews and consequential revisions may occur upon recommendation by the Secretariat or following a request from the

is not feasible, then the strategy of immediate conversion will not be applicable for non-holding currency investment commitments until the Secretariat establishes appropriate currency-holding arrangements.

⁷ 12 months has been chosen consistent with the GCF's liquidity reserve definition. As a result, this full currency matching will be relevant for sources of funds which are a part of the GCF's Liquid Asset Portfolio.

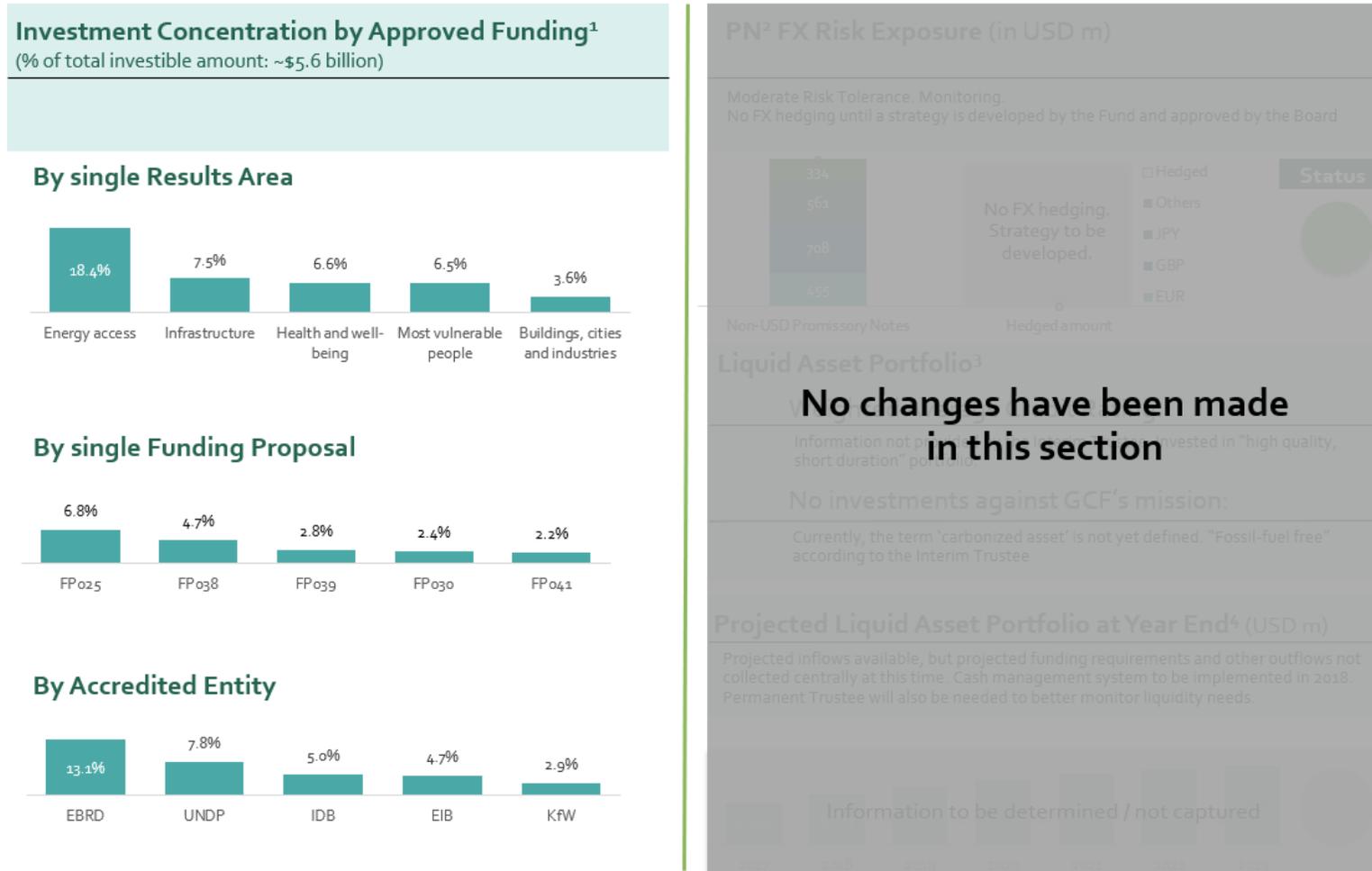
⁸ Conversion of funds to non-holding currencies may not be feasible within the Trustee account given the Interim Trustee Agreement. Hence either the GCF will hold non-holding currency assets in an alternative account, and if that is not feasible, then the strategy of immediate conversion will not be applicable for non-holding currency investment commitments until the Secretariat establishes appropriate currency-holding arrangements.



RMC or the Board. Any resulting revisions to this policy which are of a material and/or substantive nature shall be presented to the Board for its consideration and approval.

Annex VII: Risk dashboard – revised reporting on concentration

DRAFT – DATA BEING VALIDATED



Source: IPMS (as of 22 January 2018), GCFTF Financial Report (as of 31 December 2017)

1. Ratios measured as (Notional amounts approved to Funding Proposals / total investible amount). As of 31 December 2017, the denominator is USD 5.6 billion (GCFTF). Numerators are collected from IPMS, as of 22 January 2018. Projects/programmes spanning across multiple countries are split equally among them, as specific allocation proportion is not available.

Annex VIII: Policy on fees

1. The table below sets out the Fees Structure for accredited entities (AEs) of GCF for public sector grants for projects/programmes and project/programme preparation under the Project Preparation Facilities (PPFs), and to delivery partners (DPs) for grants under the Readiness Programme, including for national adaptation plans (NAPs) and other adaptation planning processes. The percentages shown in the table below represent the maximum fees* for the size categories for public sector grant projects, PPFs and readiness grants, including NAPs and other adaptation planning processes. Fees for private sector projects/programmes and fees for non-grant public sector projects/programmes will be negotiated on a case-by-case basis, as required. The policy on fees will only apply to the projects/programmes, PPFs and the Readiness Programme, including NAPs or other adaptation planning processes, approved by GCF after B.19.

Table: Fees structure for AEs of the Green Climate Fund

Size ¹	Fee cap % of GCF funding (grant portion) ²
Micro (< USD 10 million)	Up to 8.5%*
Small (USD 10–50 million)	Up to 7% **
Medium (USD 50–250 million)	Up to 5%
Large (> USD 250 million)	Up to 4%

“Up to” means the fees are subject to review and negotiation between GCF and the accredited entity based on the general principles and eligible expenditures.

*In case of the micro-size projects, a fees cap may be increased to 10% if the Secretariat considers that there is a strong justification for increasing the percentage.

**In case of the Small size projects, a fees cap may be increased to 8% if the secretariat considers that there is a strong justification for increasing the percentage.

¹ Annex I to decision B.08/02.

² If a grant falls under the higher GCF funding category, the fees cap shouldn't be lower than the highest fees cap under the preceding lower funding category. For example, the fees cap for a USD 51 million grant should be USD 3.5 million (i.e. USD 50 million × 7 per cent) and not USD 2.55 million (i.e. USD 51 million × 5 per cent).

Annex IX: General principles and indicative list of eligible costs covered under GCF fees and project management costs

I. General principles

1. Schedule of fees disbursement:
 - (a) Ninety per cent (90%) of the agreed total fee will be disbursed following one of the following options, to be agreed upon between the Secretariat and the accredited entity (AE) or delivery partner (DP) and represented in the funded activity agreement (FAA) or other relevant agreements:
 - (i) Disbursement in amounts proportional to and coincident with disbursement of project funds; or
 - (ii) Disbursement according to a schedule proposed by the AE or DP, with substantiation of anticipated costs and their schedule, to be agreed with the Secretariat, with disbursement of fees along with the first disbursement of project funds not exceeding 50 per cent of the agreed total fee;
 - (b) Ten per cent of the agreed total fee will be disbursed after the recipient submits to the Secretariat the project completion report and any other requirement on project completion as specified in the FAA or other relevant agreement, with the substance of the submission to the satisfaction of the Secretariat.
2. Non-Duplication: the fees paid to an AE or DP will not duplicate other forms of support provided to the entity, such as technical assistance.
3. Purpose and intended use: the use of fees by the AE or DP will be subject to reporting and certification. It is intended that fees are used to support the implementation of GCF projects and other eligible GCF-related activities.
4. Periodic review: the fee structure (as presented under annex II) will be reviewed in 2 years and adjusted based on the business realities. The Secretariat should, on an annual basis, provide an analysis of fee levels across the different types of projects to the Board.
5. Economies of Scale: AEs or DPs managing more than five GCF projects or readiness support projects, respectively, are expected to explore synergies in the management of projects in their GCF portfolio, which should result in cost savings across the portfolio of projects under management, which is to be reflected in the fee request.
6. Where the AE also undertakes an executing entity (EE) role in the same project that it would serve as an AE,¹ the AE must clearly differentiate between its responsibilities as an AE (e.g. oversight, supervision and management) and its responsibilities as the EE.
7. The percent of project management costs (PMC) financed by GCF should not be more than the percentage share of the overall budget financed by GCF. The PMC should be shown as a separate component in the project budget. A detailed breakdown and explanation of the components of PMC should be provided.
8. PMC exceeding 5 per cent for a funding proposal exceeding USD 3 million will require detailed documentation supporting the entire PMC budget.

¹ Per the accreditation master agreement template considered by the Board at its twelfth meeting and contained in annex XXVI to decision B.12/31, "executing entity" means any entity, which includes, as the case may be, a developing country that is a party to the Convention, through which GCF proceeds are channeled or used for the purposes of a funded activity or parts thereof, and/or any entity that executes, carries out or implements a funded activity, or any part thereof. For the avoidance of doubt, the accredited entity may also carry out the functions of an executing entity.

9. PMC exceeding 7.5 per cent for funding proposals, Readiness proposals (including national adaptation plans, or NAPs), and Project Preparation Facility (PPF) proposals up to USD 3 million will require detailed documentation and justification supporting the entire PMC budget.
10. In cases where the AE or DP also undertakes an EE role in the same project that it would serve as an AE or readiness activity that it would serve as a DP, the same should be clearly identified in the funding proposal or readiness proposal, respectively. The AE or DP must clearly differentiate between its role as an AE or DP (e.g. oversight, supervision and management) and the EE role in the project and establish appropriate institutional arrangements, clear lines of responsibilities and accountabilities.

II. Applicability of the fees policy

11. The revised fee policy applies to public sector grant instruments for projects/programmes, PPFs and the Readiness Programme, including NAPs or other adaptation planning processes, approved by GCF after B.19.
12. Fees for private sector projects/programmes and fees for non-grant public sector projects/programmes are negotiated on a case-by-case basis and shall not exceed the fees cap as set out in Annex II.

III. Indicative list of eligible costs covered under GCF fees

13. The following is a list of activities to be financed by AE or DP fees:

3.1 Project implementation and supervision

- (a) Appraise and finalize project implementation arrangements, including mission travel;
- (b) Assist and advise the project proponent on the establishment of project management structure in the recipient country/countries;
- (c) Assist project management to draft terms of reference (TOR) and advise on the selection of experts for implementation;
- (d) Advise on and participate in project start-up workshops;
- (e) Conduct at least one supervision mission per year, including briefing operational focal points on project progress;
- (f) Provide technical guidance, as necessary, for project implementation'
- (g) As necessary, include technical consultants during supervision missions to advise government officials on technical matters and provide technical assistance for the project as needed;
- (h) Oversee procurement and financial management to ensure implementation is in line with the policies and timelines of the AEs or DPs;
- (i) Disburse funds to the EEs/vendors (as applicable) and review financial reports;
- (j) Assist/oversee the audit process throughout the project life cycle;
- (k) Oversee the preparation of the required reports for submission to the Secretariat;
- (l) Monitor and review project expenditure reports;
- (m) Prepare periodic revisions to reflect changes in annual expense category budgets; and

- (n) Undertake a midterm review, including possible project restructuring.

3.2 Project completion and evaluation

- (a) Oversee the preparation of the project completion report/independent terminal evaluation, and submit the report to the Secretariat;
- (b) Prepare project closing documents for submission to the Secretariat; and
- (c) Prepare the financial closure of the project for submission to the Secretariat.

3.3 Reporting

- (a) Include all the reporting requirements as agreed in the accreditation master agreement (AMA) and funded activity agreement (FAA).

IV. Indicative list of eligible project management costs

14. The following list provides a useful illustration of the project management activities and costs that can be included in funding proposals under project management costs.

4.1 Project management activities

- (a) Preparation of the annual project work plans/programmes and budgets, including analysis and reporting;
- (b) Preparation of procurement plans;
- (c) Preparation of the project withdrawal requests for disbursement;
- (d) Preparation of TOR and procurement packages;
- (e) Tracking and monitoring of project costs and deliverables to plan;
- (f) Maintenance of a knowledge and records management system;
- (g) Preparation of progress reports and financial management reports;
- (h) Support to the project steering committee/project board or equivalent body; and
- (i) Liaisons with the auditors on any audit related matters.

4.2 Eligible project management costs

4.2.1. Project staffing and consultants

- (a) Project manager;
- (b) Project assistant;
- (c) Procurement personnel;
- (d) Finance personnel; and
- (e) Support/administrative personnel.

4.2.2. Other direct costs

- (a) Office equipment;

- (b) Mission-related travel costs of the project management unit;
- (c) Project management systems and information technology; and
- (d) Office supplies.

4.2.3. Project activities and costs not covered in project management costs

- (a) Costs of salaries and benefits of seconded staff from the EEs, unless pre-approved by GCF;
- (b) Costs of salaries and fees for AE staff or consultants, unless these have been pre-approved by GCF;
- (c) Budgeted costs under general classifications such as miscellaneous or unspecified;
- (d) Any budgeted costs indicated as contingent costs; and
- (e) Monitoring of project indicators and periodic monitoring reports (these are budgeted under the measurement and evaluation budget and is a separate line of the project costs).

Appendix A: Interim policy on fees decision B.11/10

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

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

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

2. The present value of the fees paid over the life of a loan (disbursement and repayment periods) will be equivalent to the total amount of fees paid for a similar grant-funded project.
3. The fees cap on readiness grants will be 10 per cent.
4. The following services will be covered by the GCF fees:
 - (a) Project or programme implementation and supervision;
 - (b) Project or programme completion and evaluations; and
 - (c) Reporting.
5. The GCF amount approved for a project/programme will not include fees to be paid to the accredited entity.
6. The fees paid to an accredited entity will not duplicate other forms of support provided to the entity, such as technical assistance.
7. Under decision B.09/04, the Board decided that “the financial terms and conditions for non-grant instruments to the public sector, other than concessional loans, will be established on a case-by-case basis. It also decided that all non-grant instruments extended to the private sector shall be determined on a case-by-case basis, taking into consideration Annex III to decision B.05/07 and section III in Annex XIV to decision B.07/06.
8. In line with this, the fees for the private sector and fees for non-grant instruments other than concessional loans to the public sector should be decided on a case-by-case basis.
9. Timing of fees disbursement:
 - (a) Fees on grants will be proportionally disbursed along with each grant instalment; and
 - (b) Fees on loans will be paid semi-annually in advance.

Appendix B: Market practices

I. Global Environment Facility²

1. In May 2017, the Global Environment Facility (GEF) Council adopted guidelines on the project and programme cycle policy. In this document, the fee structure and PMC are provided as follows:

	Project/Programme		
	Up to USD 10 ³ million	Over USD 10 million	Small grants
Agency fees	9.5%	9%	4%

2. Cost components covered by the Global Environment Facility fees are as follows:

- (a) Project identification;
- (b) Preparation of project concept;
- (c) Preparation of detailed project document;
- (d) Project approval and start-up;
- (e) Project implementation and supervision;
- (f) Project completion and evaluation;
- (g) Policy support;
- (h) Portfolio management;
- (i) Reporting;
- (j) Outreach and knowledge-sharing; and
- (k) Support to the Independent Evaluation Office.

Project management costs

- (a) PMCs are not recommended to exceed 5 per cent of GEF project financing (which is above USD 2 million);
- (b) PMCs shall not exceed 10 per cent of GEF project financing (which is up to USD 2 million).

II. Adaptation Fund⁴

3. Implementing entity fees are set by the Adaptation Fund Board on a case-by-case basis, but capped at 8.5 per cent. There is also a separate cap for execution (9.5 per cent), which covers activities directly related to the project.

² Available at <<https://www.thegef.org/council-meeting-documents/guidelines-project-and-program-cycle-policy-0>>.

³ For the eight GEF Agencies accredited through the Pilot Program on Accrediting GEF Agencies, the fee structure is 9.0 per cent for all types and sizes of projects and programmes irrespective of the GEF project financing size.

⁴ Available at <https://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.PPRC_14.14%20Effects%20of%20multiple%20executing%20entities%20partners%20on%20administrative%20costs.pdf>.

4. In practice, project data indicate that implementing entity fees amount effectively to 8.3 per cent. Execution costs are included in the project cost and not separated.

		Implementing entity fees	Execution costs
Project and programme operational costs		8.5% cap	9.5% cap
Rationale		To avoid administrative costs exceeding 18% of the total programme budget	

III. Climate Investment Funds

5. Under the Climate Investment Funds (CIF), the cost of programme delivery falls into two broad categories:

- (a) Programme-related costs: administrative budget; and
- (b) Project-related costs: the multilateral development bank project implementation services (MPIS).

6. Multilateral development banks (MDBs) recover programme-related costs via the administrative budget, and project-related costs through MPIS.

7. MPIS: MDBs recover project management-related costs through payments for MPIS, which are determined on a case-by-case basis for the Strategic Climate Fund projects as well as for project grant funding and private sector projects from the Clean Technology Fund.

8. The payment structure of MPIS.

3.1 Clean Technology Fund

	Loans and guarantees	Grants
Multilateral development bank project implementation support and supervision (MPIS) services funding as a percentage of project funding	0.18% paid semi-annually 0.45% paid up-front ⁵	Cannot exceed 5% of the total grant
Function	Reimburse the multilateral development bank for its incremental staff, consultants, travel and related costs of project development, appraisal, implementation support, supervision and reporting	

⁵ Available at <http://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_financing_products_terms_public_sector_nov2013_0_0_1.pdf>.

3.2 Strategic Climate Fund

Multilateral development bank project implementation services (MPIS) funding as a percentage of project funding	3.4% on average
Function	Reimburse the multilateral development bank for its incremental staff, consultants, travel and related costs of project development, appraisal, implementation support, supervision and reporting

IV. Multilateral Fund for the Implementation of the Montreal Protocol⁶

9. The Multilateral Fund for the Implementation of the Montreal Protocol (MLF), which has two agency fee regimes: one for the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO) and the World Bank that deal primarily with investment projects and national programmes, and the other for the United Nations Environment Programme (UNEP) and bilateral agencies. Each agency has trust funds for its MLF projects. The agency fee regime is reviewed prior to each replenishment, that is, every three years. A list of project-related and administrative costs provides guidance to agencies on eligible administrative versus project-related costs. Project management costs are approved as project cost components and assessed on a case-by-case basis. Project preparation costs are provided as standalone projects and are assessed on a case-by-case basis.

10. The regime for UNDP, UNIDO and the World Bank has two components:

- (a) A core unit cost, in the form of an annual budget, that addresses the office in the agency that addresses Montreal Protocol matters. It addresses business planning and policy support. Unused funds are returned, and project overruns are not reimbursed; and
- (b) A 9 per cent fee for implementation supervision for projects with a value of below USD 500,000; a 7 per cent fee for implementation supervision for projects with a value above USD 500,000 but below USD 5 million and on a case-by-case basis for those valued above USD 5 million.

10. The agency fee regime deals for UNEP with primarily non-investment (readiness activities) and bilateral agencies have agency fees of 11 per cent for projects below USD 250,000 and 13 per cent for those above USD 250,000. Projects/programmes valued above USD 5 million are assessed on a case-by-case basis. Additionally, an annual budget is provided to UNEP for a compliance assistance/regional networking programme. It is worth noting that the MLF activities are related to technical assistance, investment, and capacity-building with respect to the control of ozone depleting substances and hydrofluorocarbons used by those industrial sectors.

⁶ Available at <<http://multilateralfund.org/Our%20Work/policy/default.aspx>> (Summarized by a former officer of the Multilateral Fund).

V. The Global Fund⁷

Administrative fees

11. Administration fees are paid to local fund agents or principal recipients who act as “implementing entities”, with which The Global Fund signs a legal grant agreement. Principal recipients are responsible for preparing and submitting a grant proposal with a budget, including their “overhead costs”. Management fees are usually included in such overhead costs, and the budget is negotiated between the principal recipients and the Secretariat for each grant.
12. Overhead costs differ depending on who the principal recipient is.

	INGOs	Local NGOs
Indirect cost recovery as a percentage of direct costs incurred by PR	For health products – up to 3%	For health products – Up to 2%
	All other direct cost incurred by PR – up to 7%	All other direct cost incurred by PR – up to 5%
	Funds managed by sub-recipient – up to 5%	Funds managed by sub-recipient – up to 3%

Abbreviations: INGO = international non-governmental organization, NGO = non-governmental organization, PR = principal recipient.

VI. GAVI Alliance

13. The types of support that the GAVI Alliance offers include immunization services support, new and underused vaccines support, injection safety support, health system strengthening and civil society organization support.

Support for project management

14. The GAVI Alliance encourages countries to align the implementation arrangements for its support with existing country mechanisms. Therefore, applicants are strongly discouraged from establishing a project management unit for GAVI Alliance supported initiatives. The support for any project management unit is generally examined under exceptional conditions only, and on the basis of strong justification.

Project preparation costs

15. Countries can request up to USD 50,000 to prepare proposals on health system strengthening support. Also, technical support to prepare proposals is provided by the World Health Organization, the United Nations Children’s Fund or bilateral agencies.

VII. European Commission

16. Indirect costs may be either funded on a flat-rate basis or on a real-cost basis. These two options are mutually exclusive. The use of flat-rate funding is encouraged, since no supporting documents are required for these costs once agreed in the contract. In the case of flat-rate reimbursement, the maximum allowed indirect cost is 7 per cent.⁸ This 7 per cent is the maximum but if it is not justified then a smaller percentage will be envisaged.

⁷ Available at <https://www.theglobalfund.org/media/3266/core_operationalpolicy_manual_en.pdf> (page 66-69).

⁸ Available at <<http://ec.europa.eu/europeaid/companion/document.do?nodeNumber=19.3.1.5>>.

Annex X: Environmental and Social Policy

I. Introduction

1. GCF establishes this overarching Environmental and Social Policy (hereafter policy) that articulates how GCF integrates environmental and social considerations into its decision-making and operations to effectively manage environmental and social risks and impacts and improve outcomes.

II. Definitions

2. The following definitions shall apply in this policy:

- (a) **“Accredited entity”** means an entity that is accredited by the Board in accordance with the Governing Instrument and relevant Board Decisions. The role of an accredited entity relates to the management and oversight of project implementation, which includes the origination and preparation of a funding proposal, the subsequent management of the necessary stages of the implementation process until its conclusion (project management) on behalf of the provider of funds, and reporting obligations. An accredited entity may also be the executing entity, responsible for the operational implementation and execution of the project;
- (b) **“Activities”**, for the purposes of this policy and unless otherwise specified, refers to programmes, projects and subprojects;
- (c) **“Associated facilities”** are those that are not funded as part of the project, and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable;
- (d) **“Board”** means the board of the GCF established pursuant to the provisions of the Governing Instrument for the GCF;
- (e) **“Cumulative impacts”** result from the incremental impact, on areas or resources used or directly affected by the project, from other existing, planned or reasonably defined developments at the time the risks and impacts are identified;
- (f) **“Disadvantaged or vulnerable”** refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project’s benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so;
- (g) **“Due diligence”**, in the context of environmental and social management system, means the process of investigating potential investments to confirm all facts, such as reviewing environmental and social safeguards, audits, assessments, and compliance before consideration of funding or entering into an agreement with another;
- (h) **“Environmental and social assessment”** means the assessment of environmental and social risks, impacts and opportunities including, where appropriate assessment of potential transboundary risks and impacts undertaken by the accredited entities in a manner that follows good international industry practices, identifies best alternatives and allows for an integrated and balanced view of the environmental and social risks and impacts. This type of assessments may include specific impacts assessment, audits, and due diligence studies, among others.;
- (i) **“Environmental and social impact assessment (ESIA)”** refers to a process or tool based on an integrated assessment where the scale and type of potential biophysical and

social, including, where appropriate transboundary risks and impacts of projects, programs and/or policy initiatives, are predicted, acknowledged and evaluated. It also involves evaluating alternatives and designing appropriate mitigation, management and monitoring measures to manage the predicted potential impacts;

- (j) **“Environmental and social management frameworks (ESMF)”** describes the roles and responsibilities and the processes to manage environmental and social risks and impacts including, where appropriate transboundary risks and impacts, including screening, preparation, implementation and monitoring of subprojects;
- (k) **“Environmental and social impacts”** refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the activities to be supported;
- (l) **“Environmental and social risk”** is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence;
- (m) **“Environmental and social management system (ESMS)”** refers to a set of management processes and procedures that allow an organization to identify, analyse, control and reduce the environmental and social impacts of its activities including transboundary risks and impacts, in a consistent way and to improve performance in this regard over time. For the purposes of this document, “ESMS” refers to the environmental and social management system of GCF. When used in the long form, “environmental and social management system”, it refers to the entities’ management system;
- (n) **“Environmental and social management plan (ESMP)”** refers to a document that contains a list and description of measures that have been identified for avoiding adverse environmental and social impacts, including, where appropriate transboundary risks and impacts, or minimising them to acceptable levels, or to mitigate and compensate them and usually the main output of the ESIA process;
- (o) **“Environmental and social safeguards (ESS)”** refers to a set of standards that specifies the desired outcomes and the specific requirements to achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. For the purposes of this policy, “ESS standards” refer to the environmental and social safeguards standards, which is currently the interim ESS standards adopted by GCF until GCF develops its own standards. When used in the long form, “environmental and social safeguards standards”, it refers to the accredited entities’ own standards;
- (p) **“Executing entity”** means any entity, which includes, as the case may be, a developing country that is a party to the Convention, through which GCF proceeds are channelled or used for the purposes of a funded activity or part thereof, and/or any entity that executes, carries out or implements a funded activity, or any part thereof;
- (q) **“Intermediaries”** refers to subnational, national, regional or international public and private entities (financial or non-financial) with accredited capacities for intermediation;
- (r) **“Involuntary resettlement”** means physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement;

- (s) **“Land acquisition”** refers to all methods of obtaining land for project purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way;
- (t) **“Mitigation hierarchy”** as described in the ESS standards that set prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits;
- (u) **“Secretariat”** means the Secretariat of the GCF established by the GCF pursuant to paragraph 19 of the Governing Instrument; and
- (v) **“Stakeholders”** refers to individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including from neighbouring governments, neighbouring projects, and nongovernmental organizations.

III. Objectives and scope

3.1 Policy objectives

3. In carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all GCF-financed activities. This policy presents the commitments of GCF and articulates the principles and standards to which GCF will hold itself accountable. Through this policy, GCF will require that all GCF-supported activities will commit to:

- (a) Avoid, and where avoidance is impossible, mitigate adverse impacts to people and the environment;
- (b) Enhance equitable access to development benefits; and
- (c) Give due consideration to vulnerable and marginalised populations, groups, and individuals, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities.

4. The policy articulates the commitments of GCF to sustainable development, elaborates how GCF integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments. To achieve these, the policy defines how GCF will manage the environmental and social risks and impacts, and how GCF will support the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards. Specifically, the policy aims to:

- (a) Provide the basis for a coherent, consistent and transparent management system founded on the principles of sustainable development for improving performance and outcomes, managing risks and impacts, and enhancing equitable access to benefits in all GCF-financed activities;
- (b) Support the decision-making of GCF, particularly regarding the accreditation of entities, the provision of support, and the design, development, approval, implementation, and review of GCF-financed activities;

- (c) Underpin the development of an ESMS that incorporates a systematic approach to integrating environmental and social performance and risk management into the operations of GCF and those of the accredited entities and other development institutions with which GCF is associated; and
- (d) Define the responsibilities and processes to deliver upon the commitments of GCF.

3.2 Scope of application

5. The policy will apply to all GCF-financed activities and to both public and private sector entities. The activities supported by GCF may include programmes, projects and subprojects. The financial instruments may vary and may include grants, concessional loans, guarantees and equity investments. The Environment and Social Policy applies to three engagement areas:

- (a) At the strategic and institutional level, the policy responds to the mandate expressed in the Governing Instrument and links to other operational strategies and policies including internal structures and governance frameworks of GCF;
- (b) At the entities level, the policy sets out the requirements for accredited entities working with GCF to establish and maintain robust, systematic, accountable, inclusive, gender-responsive, participatory and transparent systems to manage risks and impacts from GCF-financed activities, pursuant to this policy and the ESS standards adopted by GCF. These requirements complement the accreditation framework and are considered in the accreditation and reaccreditation processes; and
- (c) At the activity level, the policy establishes the requirements for environmental and social risk assessment and management to be aligned to GCF ESS standards ensuring that due diligence is undertaken for all GCF-financed activities, including subprojects financed from GCF-funded programmes or through financial intermediaries, regardless of the financial instruments used or whether these are solely supported by GCF or co-financed by other institutions.

6. Where accredited entities or implementing entities are implementing activities jointly with other institutions, GCF will encourage accredited entities and the other institutions to explore a common approach, for the assessment and management of the environmental and social risks and impacts. GCF can agree to a common approach for GCF-financed activities, provided that the common approach is consistent with this policy, the ESS standards, and other related GCF policies and practices. The common approach must meet the principles and requirements that will provide the highest level of environmental and social protection, if not the same level provided by the ESS standards and this policy.

7. Additional country requirements on environmental and social safeguards and sustainability may be integrated with GCF requirements at the activity level, provided that the accredited entities establish that the additional requirements are consistent with and at least as rigorous as the ESS standards of GCF and this policy.

IV. Guiding principles

8. The following principles shall guide how GCF will implement the ESMS and achieve the objectives of this policy:

- (a) **Integration of environmental and social sustainability.** Sustainable development underpins the mandate and objectives of GCF and hence is a key consideration in the policies and governance frameworks of GCF. The ESMS and the policy provide an opportunity for GCF to incorporate environmental and social considerations in ways that not only include safeguard measures of “do no harm,” but also improve

environmental and social outcomes and generate co-benefits to the environment and the communities, including indigenous peoples, that depend on it. Within the parameters of the ESMS, this is translated into the operations of GCF, such as accreditation, investment criteria, ESS application, monitoring and accountability, information disclosure, gender mainstreaming, incorporation of considerations related to indigenous peoples, stakeholder engagement, and the redress mechanism;

- (b) **Transboundary risk and impact approach.** The GCF shall ensure that in case of potential transboundary impacts of GCF-funded projects all necessary consultations and due diligence processes, including prior notification and consultations with the relevant stakeholders, including addressing their comments;
- (c) **Scaled risk-based approach.**¹ The ESS standards will be implemented in a risk-based manner and not in a blunt, one-size-fits-all approach. This approach will require that environmental and social requirements and processes are commensurate with the level of risk and meeting the relevant ESS standards;
- (d) **Fit-for-purpose approach.**² In the context of the GCF accreditation process, the approach recognizes the roles of a wide range of entities, which can differ according to the scope and nature of the activities of the entities, and their capacity to manage environmental and social risks and impacts. GCF enables entities to access various levels of support differentiated by their capacities in meeting fiduciary and environmental and social safeguards requirements;
- (e) **Equality and non-discrimination.** In meeting the ESS standards, all activities financed by GCF will require that, where they are unavoidable, adverse impacts do not fall disproportionately on vulnerable and marginalised groups and individuals that are affected or potentially affected by GCF-financed activities, and avoid prejudice and discrimination in providing access to development resources and benefits;
- (f) **Mitigation hierarchy.** The GCF adheres to the mitigation hierarchy as an overall principle to managing environmental risks and impacts suitable for all instances of GCF-financed activities. The mitigation hierarchy aims to:
 - (i) Anticipate and avoid adverse risks and impacts on people and the environment;
 - (ii) Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
 - (iii) Mitigate any residual risks and impacts; and
 - (iv) Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts;
- (g) **Coherence and links with relevant policies and practices of GCF.**³ The Environmental and Social Policy is an overarching policy that shall be consistent and linked with the relevant policies and practices of GCF, such as those related to accreditation, monitoring and accountability, the redress mechanism, information disclosure, gender, and others, as appropriate, including those relevant policies that are still to be developed;

¹ Decision B.07/02, annex I.

² Decision B.07/02, paragraph (j) and decision B.08/02, paragraph (c).

³ Decision B.07/02, paragraph (n), annex VI.

- (h) **Continuous improvement and best practices.**⁴ The ESMS will be continuously reviewed and updated in a transparent and participatory manner to sustain its relevance and responsiveness to the prevailing organizational, social, economic and political conditions. The ESMS will also be consistently aligned with international best practices and applicable standards, reflecting the experiences and lessons learned by accredited entities and other relevant institutions, as well as including recommendations made by the GCF independent accountability units. In updating the ESMS, GCF will provide guidance to accredited entities on the implications of such updates on their environmental and social management systems and their application to ongoing GCF-financed activities;
- (i) **Stakeholder engagement and disclosure.** The ESMS requires that there is broad multi-stakeholder support and participation throughout the lifecycle of GCF-financed activities, including the development of measures to mitigate, manage and monitor environmental and social risks and impacts. The process to build support shall be inclusive, gender-responsive and culturally aware, and will be supported by the disclosure of relevant information pursuant to the GCF Information Disclosure Policy;⁵
- (j) **Gender-sensitive approach.**⁶ GCF will contribute to gender equality and inclusiveness by ensuring that the methods and tools to promote gender equality and reduce gender disparities in climate actions are established and implemented. In designing activities for GCF-funding, GCF will require accredited entities to adequately assess the gender risks and impacts (as part of social risks and impacts assessments), and link the corresponding gender risk management measures to the activity-level gender action plans;
- (k) **Knowledge-sharing.** GCF will lead and promote the sharing of lessons and experiences in applying ESS and in implementing the ESMS among entities and stakeholders, and will integrate these lessons with capacity development, communications, and outreach activities of GCF and the entities;
- (l) **Harmonized application of environmental and social requirements.** GCF will promote the harmonized application of environmental and social safeguards to reduce multiple and overlapping requirements for activities through the development of common approach that considers the requirements of other co-financing institutions while providing the highest level of environmental and social protection required among the parties, with at least the level of protection by GCF being required;
- (m) **Compliance with applicable laws.** GCF will not support activities that do not comply with applicable laws, including national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, whichever is the higher standard;
- (n) **Consistency with the United Nations Framework Convention on Climate Change (UNFCCC) REDD-plus safeguards.** The environmental and social requirements of GCF will be consistent with all relevant REDD-plus decisions under UNFCCC and existing highest standards for the operationalization of these decisions;⁷
- (o) **Labour and working conditions.** All activities financed by GCF will promote decent work, fair treatment, non-discrimination and equal opportunity for workers, guided by the core labour standards of the International Labour Organization;

⁴ Decision B.07/02, paragraph (n), annex VI, requiring the ESMS to be consistent with accepted evolving international systems for quality and environmental management systems: central to these is the continual improvement process.

⁵ Decision B.12/35, paragraph (a).

⁶ Decision B.09/11, paragraphs (a–b).

⁷ Decision 1/CP.16.

- (p) **Indigenous peoples.** All GCF-financed activities will avoid adverse impacts on indigenous peoples, and when avoidance is not possible, will minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and improve outcomes over time; promote benefits and opportunities; and respect and preserve indigenous culture, including the indigenous peoples' rights to lands, territories, resources, knowledge systems, and traditional livelihoods and practices. All GCF-financed activities will support the full and effective participation of indigenous peoples and recognize their contribution to fulfilling the GCF mandate throughout the entire life cycle of the activities. The design and implementation of activities will be guided by the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples including, of particular importance, the right to free, prior and informed consent, which will be required by GCF in applicable circumstances;
- (q) **Human rights.** All activities supported by GCF will be designed and implemented in a manner that will promote, protect and fulfil universal respect for, and observance of, human rights for all recognized by the United Nations. GCF will require the application of robust environmental and social due diligence so that the supported activities do not cause, promote, contribute to, perpetuate, or exacerbate adverse human rights impacts; and
- (r) **Biodiversity.** All GCF-financed activities will be designed and implemented in a manner that will protect and conserve biodiversity and critical habitats, ensure environmental flows of water, maintain the benefits of ecosystem services, and promote the sustainable use and management of living natural resources.

V. Overview of roles and responsibilities

5.1 Overview of GCF roles and responsibilities

9. Within the context of its mandate and consistent with its own policies, GCF will carry out the following roles and responsibilities to meet the objectives of this policy.
10. **Accreditation.** In relation to the accreditation of entities, GCF is responsible for determining the capacity of the entities to manage environmental and social risks and impacts of GCF-financed activities following the GCF accreditation framework. GCF will assess the commitment, track record and consistency of the systems and approaches used by the entities and intermediaries with the ESS standards using the fit-for-purpose approach. As necessary, GCF will collaborate with the entities on measures to improve their capacities, including the deployment of necessary support and assistance through the GCF Readiness and Preparatory Support Programme.
11. **Managing environmental and social risks throughout the life cycle of GCF-financed activities.** Within the parameters of the activities financed or proposed for financing by GCF, GCF will be responsible for:
 - (a) Requiring and ensuring that accredited entities implement their environmental and social management system pursuant to the ESS standards and this policy, thereby providing for a systematic, consistent and transparent management of risks and impacts from GCF-financed activities. Where gaps or weaknesses exist, GCF will require that these are addressed by the accredited entities in a manner and time amenable to GCF so that an effective environmental and social management system is in place before GCF-financed activities are implemented;
 - (b) Requiring and ensuring that appropriate screening and categorization processes within the accredited entities' environmental and social management systems are conducted;

- (c) Conducting its own environmental and social due diligence on activities proposed for funding consideration, and recommending to the Board for financing only those proposed activities that meet the requirements for managing environmental and social risks and impacts, pursuant to the ESS standards and this policy;
 - (d) Requiring and ensuring that environmental and social risks and impacts assessments for activities are adequate and provide sufficient information to evaluate whether GCF should consider funding the activities, taking into account the potential risks and impacts, and should determine suitable avoidance, mitigation or compensation measures in those cases where proceeding with funding consideration is appropriate. Where gaps or weaknesses exist in the assessment, GCF will require that these are addressed prior to funding consideration. The assessments will also provide the basis for GCF to confirm the risk categories of activities following the definition in this policy and level of risks to which the entities were accredited;
 - (e) Confirming the accredited entities' assignment of risk categories to the proposed activities, ensuring that their environmental and social management plans address the identified risks and impacts, requiring any other safeguards instruments and tools that may be further needed, and reviewing their adequacy. Where there are gaps or weaknesses in the environmental and social management plans, GCF will require that they are addressed. GCF will also require that accredited entities implement (which may include the role of an executing entity), or monitor and supervise the activity's implementation and compliance with (as an intermediary) the environmental and social obligations and conditions, and require that any gaps or weaknesses be addressed;
 - (f) Carrying out monitoring, review and reporting functions related to the environmental and social performance of accredited entities and the supported activities, as may be required pursuant to the monitoring and accountability framework, ESS standards, and this policy; and
 - (g) Reviewing proposed operational changes with respect to the GCF-financed activities or the accredited entities' environmental and social management systems and requiring additional measures to align with the ESS standards, this policy, and other GCF policies, if necessary.
12. **Information disclosure, stakeholder engagement and grievance redress.** Within the parameters of the activities financed or proposed for financing by GCF, GCF will be responsible for:
- (a) Confirming that all information related to the environmental and social safeguards of activities are appropriately disclosed to meet the requirements of the GCF Information Disclosure Policy and section 7.1 of this policy, and working with accredited entities to address any gaps or weaknesses in the disclosure of relevant information;
 - (b) Confirming that persons, communities and countries affected or potentially affected by the activities are consulted, and where required that free, prior and informed consent of indigenous peoples is obtained, by the accredited entities or through its executing entities during the design and implementation of the activities and that effective grievance redress mechanisms to receive complaints and feedback are established and function in a collaborative manner and in a way that is complementary to GCF independent Redress Mechanism, and requiring that any gaps or weaknesses be addressed; and
 - (c) Ensuring that accredited entities establish activity-specific grievance redress mechanisms as appropriate, cooperate with, and inform all stakeholders of, and provide access to the independent Redress Mechanism, and fully implement remedial actions stipulated by the Board on the recommendation of the independent Redress Mechanism in response to complaints received by the independent Redress Mechanism and in

accordance with the terms of reference, guidelines and procedures of the independent Redress Mechanism and consistent with the requirements described in section 7.3 of this policy.

13. GCF will require and ensure that accredited entities comply with their environmental and social obligations specified in their accreditation, the activities' safeguards plans and frameworks, activity-specific gender action plans, applicable country laws and regulations, and obligations of the country directly applicable to the activities under relevant international treaties and agreements. Where the accredited entities fail to comply with the safeguards requirements, GCF will work with the accredited entities to develop and implement timebound corrective actions that will bring the activities back into compliance. GCF will also work with the accredited entities and the affected people to develop and implement measures to remedy the harms that occurred. Where the accredited entities fail to re-establish compliance within the applicable time frame and manner, GCF may exercise its remedies under its legal agreement with the accredited entities.

5.2 Overview of roles and responsibilities with respect to the accredited entities

14. GCF will take steps to ensure that the requirements of this policy are applied to both the development of activities and their implementation once approved.

- (a) In the case of activities proposed for GCF financing, GCF will require the accredited entities to undertake all necessary measures to ensure that activities are developed in such a manner that:
- (i) Provides and implements the environmental and social management system to manage the environmental and social risks and impacts associated with the activities, allows meaningful and inclusive multi-stakeholder consultation and engagement throughout the lifecycle of activities taking into account the particular situations of vulnerable and marginalised groups and individuals that are affected or potentially affected by GCF-financed activities, appropriate to its role as an implementing entity (which may include a project execution role), an intermediary entity, or both, maintaining or improving on the environmental and social management system on which its accreditation was approved;
 - (ii) Ensures that activities proposed for GCF financing are properly screened, assigned appropriate environmental and social risk categories and that the environmental and social risks and impacts are properly and sufficiently assessed;
 - (iii) Ensures cooperation with GCF in its due diligence of the activities proposed for GCF financing;
 - (iv) Ensures that measures to avoid, minimize or mitigate adverse impacts, to compensate for residual impacts and to provide for restoration are planned and adequately supported in the activities proposed for GCF financing;
 - (v) Ensures disclosure of information on the GCF-financed activities and component subprojects pursuant to the GCF Information Disclosure Policy, and that continuing stakeholder engagement, as well as entity-level and activity-level grievance mechanisms are developed and implemented; and
 - (vi) Ensures access to the independent Redress Mechanism's grievance and complaints process and that any remedial actions stipulated by the Board of the GCF on the recommendation of the independent Redress Mechanism in response

to a complaint from people affected by the activities are respected and promptly implemented.

- (b) In the case of GCF-financed activities, GCF will require the accredited entities to undertake all necessary measures to ensure that activities are implemented in such a manner that:
- (i) Ensures that ESMPs, and all measures to mitigate and manage environmental and social risks and impacts and to improve outcomes are implemented, monitored and continuously improved; and
 - (ii) Ensures that the progress and performance are monitored and reported to GCF and its stakeholders throughout the implementation of the GCF-financed activities, in accordance with the monitoring and accountability framework and allowing GCF or GCF-authorized third-party verification of such reports.
15. GCF will require the accredited entities to confirm that the measures to manage environmental and social risks and impacts, including, as relevant, information disclosure, stakeholder engagement, and grievance redress, are incorporated in the agreements with executing entities including tendering documents and contracts.
16. GCF will require the accredited entities to take all necessary measures to ensure the compliance with all applicable laws, including the laws, regulations, and standards of the country in which the activities are located, and/or obligations of the country or countries directly applicable to the activities under relevant international treaties and agreements.
17. Entities that are functioning as financial intermediaries are exposed to environmental and social risks through the activities of their borrowers, grantees, and investees. GCF will require the intermediaries to manage the environmental and social risks associated with the supported activities. In this regard, the intermediaries will review all subprojects and delegated activities, identify where the entities and GCF could be exposed to potential risks, and take necessary actions, including the development and implementation of an environmental and social management system to oversee and manage these risks. GCF will require that accredited entities, acting in intermediary functions, undertake all necessary measures to ensure that all component subprojects and activities meet the requirements of the ESS standards of GCF and this policy. GCF will also require the accredited entities to ensure that the borrowers, grantees, and investees have the adequate management systems, processes, and capacity to manage environmental and social risks and impacts, that the individual subprojects and delegated activities are properly screened, assessed, assigned an appropriate risk category, subjected to due diligence and oversight, and that the implementation and outcomes are monitored and reported.
18. GCF will require that accredited entities undertake all necessary measures to ensure that the communities affected or potentially affected by the activities (including vulnerable and marginalised groups and individuals) are properly consulted in a manner that facilitates the inclusion of local knowledge in the design of the activities, provides them with opportunities to express their views on risks, impacts and mitigation measures related to the activities, and allows the accredited entities to consider and respond to their concerns. In ensuring the meaningful and effective consultation and participation of the affected communities and vulnerable populations, the accredited entities will align their stakeholder engagement processes to best practices and standards and will make publicly available the relevant information on the activities according to the requirements of the Information Disclosure Policy of GCF and section 7.1 of this policy.

VI. General requirements for environmental and social risk management

6.1 Accreditation

19. GCF operates through accredited entities, including those functioning as financial intermediaries. These entities are tasked to deliver upon the objectives of GCF through the supported activities while ensuring that the fiduciary, environmental and social standards of the GCF are met. Accredited entities will have in place environmental and social management systems that specify their capacities, standards and processes for screening, identifying, assessing, managing, and monitoring the potential environmental and social risks and impacts pursuant to the ESS standards of GCF and this policy.⁸

20. The accreditation of entities will be conducted pursuant to the accreditation framework.⁹ Under the accreditation framework, GCF examines, in line with the ESS standards and all relevant GCF policies, the adequacy of the applicant's environmental and social management system and the track record of implementing such a system. The accreditation process will also allow the entities to access GCF support at a level commensurate to their institutional capacity to undertake the assessment and management of environmental and social risks and impacts.

6.2 Environmental and social management system

21. The accredited entities will put in place an effective environmental and social management system to assess the environmental and social risks and impacts associated with the activities and the means to subsequently manage these effectively and equitably. The environmental and social management system of the accredited entities will be in accordance with the requirements of the GCF ESS standards and applicable policies of GCF as determined in the accreditation and appropriate to its role as an implementing entity (which may include a project execution role), an intermediary entity, or both. The accredited entities will maintain and continuously improve the environmental and social management system on which their accreditation was approved. The level of detail and complexity of the management system, and the staff and financial resources allocated to it, will be adequate to manage the expected level of risks and impacts of the activities to be financed. The staff of the accredited entities, including those who may be part-time or externally acquired (e.g. consultants) will have the necessary expertise in all areas covered by the ESS standards of GCF to carry out their responsibilities. The environmental and social management system forms one of the important considerations in the accreditation of the entities and is also the basis of the due diligence of activities proposed for financing that confirms how the environmental and social management system is translated to specific risk avoidance and mitigation measures.

22. If the entities have been accredited to have an intermediary function, their environmental and social management system will include the policies, procedures and resources to conduct due diligence and oversight over executing entities and ensuring that the executing entities have the capacity and environmental and social management systems to fulfil the activity-level requirements discussed in sections V, VI and VII of this policy and in line with the ESS standards of GCF.

6.3 Screening and risk categories

23. GCF, pursuant to the ESS standards, requires accredited entities – whether their role is as an implementing entity or an intermediary entity – to screen activities that include programmes, projects and subprojects, and following the result of the screening, to assign

⁸ Decision B.07/02, Annex I.

⁹ Decision B.07/02.

appropriate risk categories consistent with their environmental and social management systems and the GCF ESS standards.

24. GCF will review the environmental and social screening of the activities proposed for GCF financing, and confirm the environmental and social risk category assigned by the accredited entity based on the screening. In reviewing, GCF will confirm that the risk category of the proposed activity is appropriate to the risk level at which the entities have been accredited and consistent with the accredited entities' requirements, the GCF ESS standards, and the considerations and definitions set out in paragraphs 25 to 32 of this policy. If it is inconsistent, GCF will require the accredited entity to reflect the appropriate category. Only activities with risk categories that are within the accredited entity's accreditation level will be considered for GCF financing.

25. In screening activities, GCF will require that risks and impacts are considered and will include direct and indirect, induced, long-term and cumulative impacts, potential environmental and social risks to the activities, and will take into account the activities' areas of influence including associated facilities and third-party impacts. In screening activities, the environmental and social risks and impacts, as well as the nature, magnitude, and complexity of these risks, the specific characteristics of the influence area including risks of displacement, involuntary resettlement and to indigenous peoples, and legal and policy contexts will be considered.

26. In screening activities, GCF will require that applicable environmental and social safeguards standards are determined and actions sufficient to meet the requirements of each applicable environmental and social safeguards standard pursuant to the GCF ESS standard and this policy are identified. The screening of the activities will benefit from an integrated assessment that brings together the perspectives of environmental and social risks and the impacts of the activities on the communities and the receiving environment.

27. GCF will require that accredited entities will take all the necessary measures to ensure that all GCF-financed activities meet applicable laws related to managing environmental and social risks and impacts, including national laws, regulations, and standards, and/or obligations of the country or countries directly applicable to the activities under relevant international treaties and agreements. The compliance with applicable laws and relevant international obligations and standards will be reflected in the screening and assessment process indicating these national and international requirements and how these will be met through the management programmes and plans.

28. GCF will require accredited entities to confirm that associated facilities meet the requirements of their environmental and social safeguards pursuant to the ESS standards of GCF. Where the associated facilities are financed by other funding agencies, GCF, and the accredited entities, may rely on the environmental and social requirements of these funding agencies provided that these are more stringent or equivalent to the ESS standards, as determined by GCF.

29. The risk category, aligned with the fit-for-purpose approach,¹⁰ will be proportional to the nature, scale, and location of the activity, its environmental and social risks and impacts, and the vulnerability of the receiving environments and communities. GCF will require that appropriate risk categories are assigned to all activities proposed for GCF financing paying attention to specific environmental and social risks, as specified in the ESS standards. The environmental and social risk category will determine the nature and depth of environmental and social assessment, appropriate stakeholder engagement, and the type of information to be disclosed. The risks and impacts will be assessed at the pre-mitigation stage, and the accredited entities shall consider the most serious potential impacts of all activities including associated facilities.

¹⁰ Decision B.08/03.

30. If a programme, composed of several component subprojects, is being submitted for consideration of GCF funding, GCF will require that the highest risk category of the component subproject will be considered as the overall risk category of the programme.
31. GCF will require accredited entities to assign the appropriate environmental and social risk categories to activities in a manner consistent with the accreditation framework of GCF. The categories are as follows:
- (a) Category A. Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
 - (b) Category B. Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
 - (c) Category C. Activities with minimal or no adverse environmental and/or social risks and/or impacts.
32. In screening activities for their environmental and social, including transboundary, risks and impacts associated with investments through financial intermediation, the screening considers the risks associated with the intended end use. Categories of activities involving investments through financial intermediation functions or delivery mechanisms involving financial intermediation are divided into the following three levels of risk:
- (a) High level of intermediation, I1. When an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
 - (b) Medium level of intermediation, I2. When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented; and
 - (c) Low level of intermediation, I3. When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and social impacts.
33. The accreditation of the entities is based on the definitions of risk categories of Category A, Category B and Category C for activities and I1, I2 and I3 for intermediaries. Entities and intermediaries accredited to Category A or I1 can propose for funding those activities with assessed environmental and social risk categories of up to Category A or I1. Entities and intermediaries accredited to Category B or I2 can propose activities with assessed risk categories of up to Category B or I2 only. Entities accredited to Category C, or I3 can only propose for funding Category C or I3 activities.

6.4 Environmental and social due diligence

34. GCF will conduct its environmental and social due diligence as part of its assessment of activities proposed for funding consideration. The purpose of GCF due diligence is to understand and evaluate how the environmental and social, including transboundary, risks and impacts are screened, assessed and planned to be mitigated and managed by the accredited entities. The due diligence of GCF will verify consistency of the assessments and proposed management measures by the accredited entities with the ESS standards and this policy and

recommend to the Board for GCF financing only those proposed activities that meets the requirements for managing environmental and social risks and impacts, pursuant to the ESS standards and this policy.

35. When accredited entities bring investment activities to GCF for consideration, GCF will review the environmental and social assessment of the activities, including through field visits as appropriate, to determine the consistency of the risk categories with the accreditation of the entities and the requirements of the ESS standards and this policy, as well as obtaining comments of stakeholders in cases where projects have potential transboundary risks and impacts.. With the review, a set of actions will be proposed by GCF after consulting with the accredited entities in order to fill any gaps related to the requirements of the ESS standards and this policy.

36. The environmental and social due diligence of GCF includes:

- (a) Adequate investigation, review, and assessment related to accreditation as well as to the consideration of funding proposals;
- (b) Assessing the environmental and social management systems of the entities and how these are applied to the activities, the effectiveness and independence of the grievance redress mechanism of the accredited entities and implementing entities, disclosure of information, and the meaningful and timely consultations with all stakeholders; and
- (c) Providing guidance to accredited entities in developing and implementing measures to manage the risks and impacts. The responsibilities of the accredited entities include ensuring that all the necessary assessments of risks and impacts are conducted, management plans developed and implemented, information provided, and necessary stakeholder engagement and communications conducted.

37. GCF will undertake due diligence based on the most recent, reliable and relevant information of the activities. Where information on the activities is limited, GCF will request additional information from the accredited entities and will also take into consideration the risks and impacts inherent in the types of activities, sector, or industry, the specific context within which the activities will be developed and implemented, and the capacity of the executing entities to implement the activities in a manner consistent with the requirements of the ESS standards and this policy. Where assessments have already been done and permits obtained, the due diligence for the activities will consist of analysis of gaps to understand whether there is a need for any additional studies or measures to meet the requirements of the ESS standards and this policy and a requirement that the gaps be filled. If there are compelling reasons that the gaps cannot be filled, the significance of the gaps, the extent of information provided and the potential risks these present will be reflected in the review with a request for waiver.

38. GCF will require the accredited entities to undertake environmental and social due diligence on all the activities proposed for GCF financing. The purpose of the due diligence of the accredited entities is to ensure that the activities proposed for GCF financing comply with their environmental and social safeguards standards pursuant to the ESS standards of GCF and this policy. If the accredited entities are acting in an intermediary function, they will require that the executing entities undertake the same level of due diligence on component subprojects to fulfil the requirements described in this section and will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

6.5 Environmental and social assessment

39. GCF will require the accredited entities to undertake assessment of environmental and social, including transboundary risks and impacts to ensure that the activities proposed for GCF financing meet their environmental and social safeguards pursuant to the ESS standards of GCF

and this policy. If the accredited entities are acting in an intermediary function, GCF will require the accredited entity to undertake all necessary measures to ensure that the executing entities fulfil the activity-level assessment requirements described in this section for each component subproject, and will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

40. The environmental and social assessment will be in a manner that: follows good international industry practices, identifies best alternatives and allows for an integrated and balanced view of the environmental and social risks and impacts pursuant to GCF standards and requirements of the accredited entities, considers the environmental and social factors, that can affect the achievement of intended results, and shall include where applicable upstream and downstream environmental and social risks and impacts and impacts on ecosystems and identifies opportunities to enhance the positive environmental and social outcomes and benefits.

41. The scope and depth of the environmental and social assessment will be proportional to the level of risks and impacts and determined in the screening and by the specific requirements of the applicable environmental and social safeguards pursuant to the ESS standards of GCF and this policy. For Category A activities that are anticipated to have significant environmental and social, including transboundary risks and impacts, a full and comprehensive ESIA and ESMP will be required. For Category B activities with limited impacts, a fit-for-purpose ESIA and an ESMP, with a more limited focus as may be appropriate, that describes the potential impacts, as well as appropriate mitigation, monitoring and reporting measures will be required. Category C activities should have no expected significant environmental and social impacts and therefore may not require any assessments, although a pre-assessment or screening should confirm that the activities are indeed in Category C.

42. There are a variety of tools and studies that may be used to complement and strengthen further the assessment of environmental and social risks and impacts. These form part of commonly accepted assessment tools such as strategic environmental and social assessments, regional impacts assessments, cumulative impacts, and other specialized studies as may be required under specific environmental and social safeguards pursuant to the ESS standards of GCF and this policy. GCF may recommend and/or require additional tools and planning instruments as may be necessary to meet the national requirements and international commitments of countries.

6.6 Environmental and social management plan

43. GCF will require and ensure that the accredited entities develop ESMPs that contain the measures to manage and mitigate the identified risks and impacts, pursuant to the ESS standards of the GCF and this policy. If an accredited entity is acting in an intermediary function, the GCF will require the accredited entity to take all necessary measures to ensure that the executing entities fulfil the activity-level ESMP requirements discussed in this section, and the accredited entity will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

44. Based on the results of the environmental and social assessment, the ESMP for an activity will be designed such that the appropriate measures to address adverse environmental and social risks and impacts including health and safety, as well as opportunities to pursue and enhance positive environmental and social outcomes, are adequately described, roles defined, and the corresponding timelines and resources identified. Where transboundary risks and impacts are potentially involved, ESMP should include a modality to demonstrate that the concurrence of stakeholders are agreed in the ESMP. Where activities involve existing facilities, environmental and social audits may be required with an ESMP which may include remediation, recompense, or management of any residual environmental and social issues.

45. The ESMP will be integrated into the overall planning, design, resourcing, and execution of the GCF-financed activities and reflected in the accredited entities' environmental and social management system. Where gaps exist in the capacity of accredited entities to implement the mitigation measures exist, GCF will work with the accredited entities to build or enhance the institutional capacity and address the gaps before the activities necessitating such mitigation measures are going to be implemented.

46. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for potential involuntary resettlement impacts, pursuant to the objectives and requirements of the ESS standard of GCF, particularly regarding land acquisition and involuntary resettlement. GCF-financed activities will be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement. When limited involuntary resettlement cannot be avoided, GCF will require through informed consultations and participation of the people or communities affected by the activities, the preparation of a resettlement action plan or, if specific activities or locations have not yet been determined, a resettlement policy framework proportional to the extent of physical and economic displacement and the vulnerability of the people and communities. A resettlement policy framework will include provisions for the development and implementation of site-specific resettlement action plans that comply with the requirements of the accredited entities for such plans, pursuant to GCF standards and this policy. In cases of economic displacement or restrictions of access to livelihoods as a result of land acquisition and resettlement, GCF will require the development of livelihood restoration and compensation plans or frameworks. These plans or frameworks will complement the social assessments of the activities and provide guidance on specific issues and due process related to involuntary resettlement including land acquisition, consultations with the affected people on their rights and options, compensation for assets, free, prior and informed consent in cases of indigenous lands and territories, livelihood loss and restoration, transition allowances, facilities and resettlement sites, and grievance redress.

47. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential impacts on indigenous peoples, pursuant to the objectives and requirements of the GCF ESS standards and other relevant policies. The contributions and inputs of indigenous peoples in the risk screening and assessment processes will be facilitated. Where there are potential adverse impacts to indigenous peoples, GCF will require the development of measures to minimize, restore, and/or compensate for these impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts and the vulnerability of the affected communities of indigenous peoples. These measures are to be described and costed as part of the consideration for GCF funding. Such measures may be integrated into a broader management plan or contained in an indigenous peoples plan, or if specific activities or locations have not yet been determined, indigenous peoples planning framework. The plans or frameworks will be developed with the full and effective participation of indigenous peoples through a process of meaningful consultation tailored to the indigenous peoples; ensuring the free, prior and informed consent of the affected indigenous peoples, where required by the relevant policies of GCF. The scope and extent of such plans will be proportional to the vulnerability of the indigenous peoples and the extent of impacts on the customary rights of use and access to land and natural resources, socioeconomic status, cultural integrity, indigenous knowledge and skills, and overall welfare. An indigenous peoples planning framework will include provisions for the development and implementation of site-specific indigenous peoples plans. These plans and frameworks will complement the social assessment of the activities and provide guidance on specific issues related to addressing the needs of the affected indigenous peoples.

48. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential

adverse impacts on the promotion, protection, respect for, and fulfilment of human rights. This may be done through the required social and environmental impacts assessment (complemented by specific human rights due diligence deemed relevant by the accredited entities with respect to specific circumstances or activities). For activities that have potential adverse impacts on human rights, GCF will require the preparation of an action plan that identifies national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, and describes the mitigation measures that will be taken to comply with those obligations and national laws. Such measures are to be described and costed as part of the consideration for GCF funding. GCF will not finance activities where planned mitigation is inadequate.

49. GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential adverse impacts on the promotion, protection and respect for gender equality in accordance with the GCF Gender Policy and Action Plan and in compliance with national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements through a comprehensive gender risk and impact assessment. Supporting and mitigating actions are to be described and costed in the activity-specific gender action plans and/or ESMPs, as part of the considerations for GCF funding.

50. GCF will require and ensure that activities are screened and assessed, including component subprojects of programmes and activities requiring financial intermediation, for any potential impacts on biodiversity, pursuant to the objectives and requirements of the ESS standards of GCF, particularly regarding biodiversity conservation and natural resources management. The activities shall avoid impacts on biodiversity and ecosystem services, and if avoidance of impacts is not possible, measures to minimize impacts and compensate and restore biodiversity and ecosystem services will be implemented. For activities that have potential adverse impacts on natural habitats, GCF will require the preparation of a biodiversity action plan that describes the long-term mitigation, conservation outcomes, monitoring, and evaluation programme. Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, the accredited entity, in coordination with relevant experts and GCF, will design and implement measures that provide remedy or restoration before adequate and equitable compensation of any residual risks and impacts. Such measures shall be described and costed in the biodiversity action plans and/or ESMPs as part of the consideration for GCF funding. Compensation, or offsets, will be used to mitigate adverse impacts on biodiversity and ecosystems in rare cases, only as a last resort, and only in specific instances where: all other technically feasible avoidance, minimization or restoration measures have been considered; supported by rigorous, sound science; developed in consultation with independent experts; and long-term management, support, and financing have been secured.

51. For activities requiring financial intermediation, GCF will require and ensure that the accredited entities in an intermediary function develop an operational programme- or project-level environmental and social management system or framework to identify and manage the risks associated with their portfolio and delegated activities on an ongoing basis. The complexity of the programme- or project-level environmental and social management system or framework will vary according to the risk exposure that the intermediary is expected to manage. The environmental and social management system or framework will be designed and implemented to meet the environmental and social safeguards of the accredited entities, pursuant to the ESS standards of GCF and this policy.

6.7 Operational changes

52. GCF will require the accredited entities to notify GCF when there are major changes in the activity design and execution, policy, and regulatory setting, receiving environment and

community, unanticipated environmental risks and impacts, or other circumstances that raise or potentially raise the environmental and social risk category of GCF-financed activities. GCF will require and ensure that the accredited entities undertake due diligence appropriate to the new environmental and social risk category of the activities and revise the ESMP to meet the requirements of their environmental and social safeguards, in a manner consistent with the ESS standards of GCF. Additional due diligence and changes to the ESMPs and other safeguards documents will be disclosed in a manner pursuant to the GCF Information Disclosure Policy.

53. GCF will also require the accredited entities to notify GCF when changes to the ESMP or other management plans are required. In the context of adaptive risk management, accredited entities will ensure that the implementation of the ESMPs will be responsive to changing conditions and the results of monitoring throughout the project's lifecycle. GCF requires the accredited entities to maintain effective due diligence, including participatory monitoring approaches, to address unanticipated developments in the activities or to reflect improved techniques and technologies for addressing environmental and social risks and impacts and meeting the environmental and social safeguards requirements pursuant to the ESS standards of GCF.

54. GCF will require the accredited entities to notify GCF of any changes in their environmental and social management systems that may adversely affect the planning, design, implementation, and monitoring of GCF-financed activities. Where the changes render the ESMPs or the programme- or project-level environmental and social management system inconsistent with the ESS standards of the GCF, GCF will require and ensure that the accredited entities make appropriate revisions in the ESMP or undertake other necessary actions to meet the requirements of the ESS standards of GCF.

55. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to ensure that the executing entities inform it of the operational changes discussed in this section and, in turn, inform GCF. GCF will collaborate with the accredited entities and executing entities and provide oversight to ensure that any further required measures are implemented.

6.8 Monitoring and reporting

56. GCF, through its Secretariat, will carry out monitoring and reporting functions related to the environmental and social performance of the accredited entities and the supported activities as required in the GCF monitoring and accountability framework.¹¹ The monitoring will be a continuous process that allows disclosure pursuant to the monitoring and accountability framework and the Information Disclosure policy. The extent of monitoring will be based on the type and level of risks identified, including environmental and social risks.

57. GCF will monitor the compliance of accredited entities with the applicable environmental and social safeguards requirements, pursuant to the ESS standards and the monitoring and accountability framework of GCF. On an annual basis, the accredited entities will provide GCF with a self-assessment of their compliance with the applicable environmental and social safeguards, pursuant to the ESS standards of GCF. Halfway through the five-year accreditation, the Secretariat will undertake a mid-term review of compliance performance of the accredited entities. Annually, the Secretariat will report to the Board the consolidated results of the annual self-assessments, mid-term reviews, and any ad hoc reviews that were conducted.

58. The reporting requirements for GCF-financed activities will include annual performance reports and interim evaluation and final evaluation reports. These reports will specify the activities' consistency with the ESS standards and this policy and provide information from the

¹¹ Decision B.11/10.

GCF independent accountability units and any other applicable environmental and social provisions in the legal agreement. If needed, GCF may require more frequent or ad hoc monitoring and reporting or audits on specific environmental and social issues, which may also include site visits and consultations with beneficiaries, communities, and national designated authorities. The Secretariat will then report to the Board the performance of the accredited entities in relation to their GCF-financed activities providing information related to implementation progress, issues, risks and lessons, including those affecting environmental and social safeguards.

59. The accredited entities are responsible for monitoring and reporting to GCF on the GCF-financed activities. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to ensure that the executing entities fulfil the activity-level monitoring and reporting requirements discussed in this section and will, in turn, provide the requisite monitoring and reporting information to GCF. This may include both activity-specific and aggregated monitoring and reporting. GCF will review the monitoring and reporting information about the activities of the executing entities provided by the accredited entities acting as intermediaries.

60. In monitoring the environmental and social performance of activities, GCF shall require the accredited entities to undertake all necessary measures to ensure participatory monitoring through the involvement of communities, local stakeholders, indigenous peoples and civil society organizations in all the stages of the life cycle of activities. This participatory monitoring approach will also encourage the national designated authorities or focal points to organize country portfolio reviews involving people affected by the activities and other local stakeholders.

VII. Information disclosure, stakeholder engagement, and grievance redress

7.1 Information disclosure

61. The Governing Instrument affirms that GCF will operate in a transparent and accountable manner guided by the principles of efficiency and effectiveness. The GCF Information Disclosure Policy¹² operationalizes this commitment by ensuring transparency, public access to information and stakeholder participation in all its activities. The Information Disclosure Policy requires that relevant information, including with respect to environmental and social issues, is made available to the affected and potentially affected communities and external stakeholders.

62. The information will be made available in accordance with the provisions of the Information Disclosure Policy, allowing the stakeholders time to review, seek further information and provide inputs on a proposed activity, including ways to improve design and implementation of its environmental and social safeguards. The information in the form of environmental and social reports, including additional documents described in paragraph 64 and 65, will be provided through electronic links to the websites of the accredited entities and of GCF (in the case of the GCF website, upon submission of the funding proposal to the Secretariat), as well as in locations convenient to affected peoples. The information will be available in both English and the local language (if not English) to foster adequate understanding by the affected and potentially affected communities, stakeholders and the general public.

¹² Decision B.12/35.

63. The GCF Information Disclosure Policy requires the accredited entities to disclose to the public and, via the Secretariat, to the Board and active observers, the necessary documentation relevant to the environmental and social safeguards of the activities, and meeting the required disclosure period. The required disclosure will also apply to Category A and Category B subprojects of GCF-funded programmes and investments through medium- to high-level of intermediation.

64. GCF will require that all additional environmental and social safeguards documents be disclosed. These documents will include a suite of assessment and management instruments, such as resettlement action plans and policy frameworks, indigenous peoples plans and planning frameworks, gender assessments and gender action plans, and environmental and social due diligence and audit reports. These documents will complement the environmental and social reports or core safeguards instruments required in all cases – ESIA, ESMP and/or operational environmental and social management system or frameworks – and will be disclosed in the same manner and time frame as the core instruments. Such documents shall be sufficiently comprehensive to inform the assessment and decision on the activities proposed for GCF funding.

65. The accredited entities will also disclose, in the same manner, and time frame as the safeguards documents, a summary of the activities, along with the environmental/social information, including the following at a minimum:

- (a) The purpose, nature, and scale of the activities, and the intended beneficiaries;
- (b) The duration of proposed activities;
- (c) A summary of stakeholder consultations and the planned stakeholder engagement process; and
- (d) The available grievance mechanism(s).

66. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to undertake all necessary measures to ensure that the executing entities fulfil the information disclosure requirements discussed in this section, and the accredited entities will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

7.2 Stakeholder engagement

67. GCF will require accredited entities, including intermediaries, to ensure the effective engagement of communities and individuals, including transboundary, vulnerable and marginalised groups and individuals that affected or potentially affected by the activities proposed for GCF financing. The stakeholder engagement plan will describe the disclosure of information, meaningful consultation and informed participation in a culturally appropriate and gender responsive manner, and, in certain circumstances, free, prior informed consent, as required pursuant to the ESS standards of GCF. The disclosure of information, meaningful consultation, and informed participation will be designed and undertaken in a manner that takes into consideration the risks and impacts, including where appropriate transboundary impacts as well as opportunities to enhance environmental and social outcomes of the proposed activities, starting from the design and development of activities and will continue throughout the lifecycle of the activities.

68. GCF, working with the national designated authorities and focal points of countries, will describe the process and set guidance to assist the accredited entities to put in place and implement a process for meaningful consultation with people affected or potentially affected by the activities, guided by the principles of transparency, inclusiveness, non-discrimination, “Do

No Harm” and accountability and by international best practices, and consistent with the best practice options for country coordination and multi-stakeholder engagement.¹³

68bis. GCF will also develop modalities, applicable to all stages for project consideration, consultations, sharing of information and resolutions of concerns by neighbouring countries on projects having potential transboundary environmental and social impacts.

69. GCF will require and ensure that the meaningful consultation will be culturally appropriate, undertaken throughout the life cycle of activities, with information provided and disclosed in a timely manner, in an understandable format, in appropriate local languages, gender inclusive and responsive, free from coercion, and will incorporate the views of stakeholders in the decision-making process. The processes will pay particular attention to vulnerable groups and to conducting consultations in a manner that does not put vulnerable individuals and groups at risk. For activities impacting indigenous peoples, this engagement will be supported by the objectives and requirements of the GCF ESS standards and relevant GCF policies, including but not limited to, the GCF Indigenous Peoples Policy, including with respect to free, prior and informed consent.

70. GCF reserves the right to observe and participate in the consultation process or request for the documentation of the process in order to gain a better understanding of the issues and concerns of the affected and potentially affected communities, groups and individuals, as well as how such concerns will be addressed by the accredited entities.

71. GCF undertakes direct stakeholder engagement in processes related to the management of environmental and social risks and impacts, including the development of policies, procedures, and guidance, and ESMS of the GCF. In such processes, key documents are subject to a minimum 30-day public disclosure period pursuant to the GCF Information Disclosure Policy.

72. If the accredited entities are acting in an intermediary function, GCF will require the accredited entities to undertake all necessary measures to ensure that the executing entities to fulfil the activity-level stakeholder engagement requirements discussed in this section and the accredited entities will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

7.3 Grievance redress mechanisms

73. The approach of GCF is to provide for grievance and redress at GCF, accredited entity, and activity levels. GCF requires that accredited entities inform the communities affected, or likely to be affected, by the GCF-financed activities about the grievance and redress mechanisms at all three levels, at the earliest opportunity of the stakeholder engagement process and in an understandable format and in all relevant languages. The details for sending complaints containing the contact information and the appropriate modes by which these will be received will be provided by the accredited entities to the communities and disseminated with other involved institutions.

74. The ESS standards of GCF establish the requirements for setting up of a grievance redress mechanisms at the activity level to receive and facilitate the resolution of concerns and grievances about the environmental and social performance of GCF-financed activities. These mechanisms will seek to resolve complaints in a manner that is satisfactory to the complainants and other relevant parties, that will be identified, depending on the nature of the complaint. To this end, GCF will require accredited entities to identify, where this already exists at the activity-level grievance redress mechanism, or establish and maintain appropriate and effective mechanisms to receive complaints and facilitate the resolution of such in connection with the GCF-financed activities.

¹³ Decision B.08/10, annex XIV.

75. At the GCF level, the independent Redress Mechanism will address the grievances and complaints filed by persons, groups of persons or communities or on their behalf by governments or a representative, duly authorised to act in such a capacity, who may be or have been affected by the adverse impacts including transboundary impacts of the projects, in connection to the GCF-financed activities. In the event of a complaint being filed with the independent Redress Mechanism, the accredited entities will cooperate with the independent Redress Mechanism and GCF.

76. GCF recognizes that local or project level grievance mechanism can provide an effective and direct remedy to complainants, and encourages the use of such mechanisms whenever possible. This recognition does not limit in any way the ability of complainants to access the GCF independent Redress Mechanism directly. Persons who allege that they have been affected by activities that do not comply with the accredited entities' own policies and procedures should have the right to access the accredited entities' own grievance redress mechanisms and/or those at the project or activity level, if separate. It is the responsibility of the accredited entities to require and ensure that their grievance mechanisms and the activities' grievance mechanisms are functioning effectively, efficiently, legitimately, and independently in a manner that is accessible, equitable, predictable, transparent, , and that allows for continuous learning.

77. If the accredited entities are acting in an intermediary function, the accredited entities will require the executing entities to fulfil the activity-level grievance mechanism requirements discussed in this section while maintaining responsibility for its own grievance redress mechanism and will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

78. The accredited entities' and/or executing entities' mechanism should be scaled to the risks and impacts of the activities. The mechanism will facilitate the resolution of grievances promptly through an accessible, fair, transparent and constructive process. It will also be culturally appropriate and readily accessible, at no cost to the public, and without retribution to the individuals, groups, or communities that raised the issue or concern. The mechanism will not impede the access to the independent Redress Mechanism of GCF or to judicial or administrative remedies that may be available through the country systems acknowledging that these localized systems may provide more robust information and reflect better the context of the issues on the ground. The mechanism will take into account the "effectiveness criteria" for non-judicial grievance mechanisms outlined in the United Nations Guiding Principles on Business and Human Rights in order to maximize effectiveness.

VIII. Implementation arrangements and resource provision

79. The policy is an essential component of the overall management framework described as the ESMS of GCF. The implementation of this policy will be through the processes and procedures developed as part of the ESMS, taking into account other relevant policies and the ESS standards of GCF. GCF will have staff with appropriate expertise and will allocate responsibilities and adequate resources to support the effective implementation of this policy.

IX. Effective date and review

80. The policy will become effective upon its approval by the Board. The policy will apply to ongoing activities to the extent reasonably possible and those that will be approved after the effective date¹⁴.

81. GCF will review and evaluate the overall environmental and social performance based on the objectives of this policy and the ESS standards as discussed in the next paragraph.

¹⁴ Subject to signed Accreditation Master Agreements.

Appropriate amendments to this policy will be considered, based on the results of such review and evaluation, changes to the ESMS including updates on and development of the ESS standards. In amending this policy, GCF will provide guidance to accredited entities on the implications of such amendments on the accredited entities' environmental and social management systems and their application to ongoing GCF-financed activities.

82. A review of the policy will be undertaken five years after the effective date in order to assess the effectiveness of GCF in achieving the objectives of the policy. This review will include stakeholder consultation and will be supplemented by annual and mid-term operational reviews and reporting, which may lead to improvements in the ESMS, as required.

Annex XI: Indigenous Peoples Policy

I. Introduction and rationale

1. Indigenous peoples are unique and a distinct stakeholder of the GCF. The rights of indigenous peoples are affirmed by international human rights instruments, including binding treaties and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Indigenous peoples have invaluable and critical contributions to make to climate change mitigation and adaptation. Yet they are also facing serious threats to the realization of their rights from climate change actions.
2. The importance of engaging with indigenous peoples in climate change policies and actions has been recognized by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), including in the Cancun Agreement (decision 1/CP.16). The preamble of the Paris Agreement also acknowledges that Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on, inter alia, the rights of indigenous people. The COP decision adopting the Paris Agreement (decision 1/CP.21) recognized the need to strengthen practices and efforts of local communities and indigenous peoples related to addressing and responding to climate change and operationalized the local communities and indigenous peoples platform to help do this. The COP has further requested GCF consider a recommendation “to enhance [its] consideration of local, indigenous and traditional knowledge and practices and their integration into adaptation planning and practices, as well as procedures for monitoring, evaluation and reporting.”
3. This GCF Indigenous Peoples Policy (hereafter Policy) recognizes that indigenous peoples often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation and development. In many instances, they are among the most economically marginalized and vulnerable segments of the population. The economic, social and legal status of indigenous peoples frequently limit their capacity to defend their rights to, and interests in, land, territories and natural and cultural resources, and may restrict their ability to participate in and benefit from development initiatives and climate change actions. In many cases, they do not receive equitable access to project benefits, or benefits are not devised or delivered in a form that is culturally appropriate, and they are not always adequately consulted about the design or implementation of activities that would profoundly affect their lives or communities.
4. The Governing Instrument for the GCF, as well as other policies such as the interim environmental and social safeguards (ESS) and the draft environmental and social management standard (ESMS), reflect the importance of fully and effectively engaging with indigenous peoples in the design, development and implementation of the strategies and activities to be financed by GCF, while respecting their rights.
5. At the fifteenth meeting of the Board (B.15). in decision B.15/01, the Board requested the Secretariat to develop a Fund-wide Indigenous Peoples Policy.
6. This Policy will assist GCF in incorporating considerations related to indigenous peoples into its decision-making while working towards the goals of climate change mitigation and adaptation. The Policy allows GCF to anticipate and avoid any adverse impacts its activities may have on indigenous peoples’ rights, interests and well-being, and when avoidance is not possible to minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and to improve outcomes over time. These elements of the Policy will be integrated with other business processes and governance frameworks, particularly the ESMS, and will be utilized across the organization of GCF. The Policy will evolve and continue to mature as GCF operations develop.

7. In developing this Policy, GCF has been guided, as relevant, by principles set forth in: UNDRIP; International Labour Organization (ILO) Convention 169 and the International Covenant on Economic, Social and Cultural Rights; the International Convention on the Elimination of All Forms of Racial Discrimination; the outcome document of the high-level plenary meeting of the United Nations General Assembly, known as the World Conference on Indigenous Peoples; and the International Covenant on Civil and Political Rights.
8. This Policy has been developed with the participation and support of a wide range of indigenous peoples organizations.

II. Definitions

9. The following definitions shall apply in this Policy:
- (a) **“Accountability units”** means the Independent Evaluation Unit, the Independent Integrity Unit and the independent Redress Mechanism of GCF;
 - (b) **“Board”** means the Board of GCF, established pursuant to the provisions of the Governing Instrument;
 - (c) **“Collective attachment”** means that for generations there has been a physical presence in and economic ties to land and territories traditionally owned, or customarily used or occupied, by the group concerned, including areas that hold special significance for the group, such as sacred sites;
 - (d) **“Cultural heritage”** is defined as resources with which people identify as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions;
 - (e) **“Disadvantaged or vulnerable”** refers to those who may be more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project’s benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so. This will take into account considerations relating to age, including the elderly and minors, and circumstances where they may be separated from their family, the community or other individuals upon which they depend;
 - (f) **“Environmental and social assessments”** refers to the assessment of environmental and social risks, impacts and opportunities undertaken by the accredited entities in a manner that follows good international industry practices, identifies best alternatives and allows for an integrated and balanced view of the environmental and social risks and impacts pursuant to the GCF ESS standards and requirements of the accredited entities;
 - (g) **“ESS standards”** refers to the environmental and social safeguards (ESS) standards of GCF and the interim ESS standards of the GCF, which pertain to the International Finance Corporation’s Performance Standards and were adopted by the Board;
 - (h) **“Secretariat”** means the Secretariat of the GCF established pursuant to paragraph 19 of the Governing Instrument;
 - (i) **“Indigenous peoples plan (IPP)”** outlines the actions to minimize and/or compensate for the adverse impacts and identify opportunities and actions to enhance the positive impacts of a project for indigenous peoples in a culturally appropriate manner. Depending on local circumstances, a free-standing IPP may be prepared or it may be a component of a broader community development plan;
 - (j) **“Involuntary resettlement”** means physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access

to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use;

- (k) **“Land acquisition”** refers to all methods of obtaining land for project purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way;
- (l) **“Livelihood”** refers to the full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering;
- (m) **“Meaningful consultation”** refers to a two-way process, that: (a) begins early in the project planning process to gather initial views on the project proposal and inform project design; (b) encourages stakeholder feedback, particularly as a way of informing project design and engagement by stakeholders in the identification and mitigation of environmental and social risks and impacts; (c) continues on an ongoing basis, as risks and impacts arise; (d) is based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information in a timeframe that enables meaningful consultations with stakeholders in a culturally appropriate format, in relevant local language(s) and is understandable to stakeholders; (e) considers and responds to feedback; (f) supports active and inclusive engagement with project-affected parties; (g) is free of external manipulation, interference, coercion, discrimination, and intimidation; and (h) is documented and disclosed.
- (n) **“Mitigation hierarchy”**, as described in the ESS standards of GCF, sets prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits;
- (o) **“Representatives”** refer to village heads, clan heads, community and religious leaders, local government representatives, civil society representatives, politicians or teachers; and
- (p) **“Stakeholder engagement process or plan”** describes a project’s strategy and program for engaging with stakeholders in a culturally appropriate manner, ensuring the timely provision of relevant and understandable information, and creating a process that provides opportunities for stakeholders to express their views and concerns, and allows the entities to consider and respond to them.

III. Policy objectives

10. The overall objective of this Policy is to provide a structure for ensuring that activities of GCF are developed and implemented in such a way that fosters full respect, promotion, and safeguarding of indigenous peoples so that they (a) benefit from GCF activities and projects in a culturally appropriate manner; and (b) do not suffer harm or adverse effects from the design and implementation of GCF-financed activities. The Policy will allow GCF to promote its approach in a consistent way and improve outcomes over time.

11. The specific objectives of this Policy are as follows:

- (a) To support and promote the welfare, positive contributions and leadership of indigenous peoples to climate change mitigation and adaptation, based on their traditional knowledge systems, livelihoods, sustainable resource management systems and practices, in a manner that is accessible, rights-based, gender-responsive, culturally appropriate and inclusive;

- (b) To enable the critical role of indigenous peoples in assisting GCF to ensure more effective, sustainable and equitable climate change results, outcomes and impacts and to enable them to be active leaders and participants in the process;
- (c) To enable indigenous peoples present in, or with collective attachment to, the areas where GCF-financed activities are implemented (or activities proposed for GCF-financing will be implemented) to be fully informed and consulted about, and have opportunities to actively participate in, project design and the determination of project implementation arrangements;
- (d) To provide a framework for GCF to anticipate and avoid any adverse impacts of its activities on indigenous peoples' rights, interests and well-being, and when avoidance is not possible to minimize, mitigate and/or compensate appropriately and equitably for such impacts;
- (e) To pay particular attention to the different challenges faced by women and girls and other groups within indigenous communities, and to promote the participation and leadership of women in GCF activities, given their role as traditional knowledge holders and custodians of cultural and spiritual heritage and values;
- (f) To enable and further realize full respect for the rights, dignity, aspirations, identity, culture, lifestyle, autonomy, protagonism, and natural resource-based livelihoods of indigenous peoples and territory management in the whole spectrum of activities and initiatives of GCF, and follow the principle in paragraph 22(c) of this Policy and the applicable international and regional instruments, where appropriate, such as ILO Convention 169 and UNDRIP;
- (g) To promote and respect indigenous peoples' rights to own, use, develop and control the lands, territories, and resources that they possess by reason of traditional ownership or other traditional occupation or use, as well as those that they have otherwise acquired;
- (h) To recognize, respect and preserve the culture, knowledge and practices of indigenous peoples, and to provide them with an opportunity to adapt to changing conditions in a manner and in a timeframe acceptable to them;
- (i) To foster full respect of as well as promote and preserve indigenous peoples' cultural and spiritual heritage and values, traditional knowledge, natural and economic resource management systems and practices, occupations and livelihoods, customary institutions and overall well-being;
- (j) To recognize and effectively apply the principle of free, prior and informed consent, as described in this Policy;
- (k) To establish and maintain continuing engagement based on fully informed consultation and effective participation of the indigenous peoples – including indigenous women, youth and elders – affected by GCF-financed activities throughout the implementation of the activities;
- (l) To ensure that all grievance mechanisms associated with GCF activities are effective in addressing issues raised by indigenous peoples and are accessible, fair, transparent and culturally appropriate; and
- (m) To recognize and operationalize indigenous peoples' equitable access to the benefits of GCF-funded activities.

IV. Scope of application

12. This Policy will apply to all GCF-financed activities and to both public and private sector entities. This Policy will also apply to approved GCF-financed activities to the extent reasonably

possible. The activities supported by GCF include programmes, projects and subprojects; the financial instruments vary and may include grants, concessional loans, guarantees and equity investments.

13. This Policy will apply to indigenous peoples as characterized in the following paragraphs.

14. In this Policy, the term indigenous peoples is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- (a) Self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others;
- (b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation as well as to the natural resources in these areas;
- (c) Customary cultural, economic, social, or political systems that are distinct or separate from those of the mainstream society or culture; and
- (d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside. This includes a language or dialect that has existed but does not exist now due to impacts that have made it difficult for a community or group to maintain a distinct language or dialect.

15. GCF will take into account commonly accepted and applied criteria for identifying indigenous peoples, respecting self-identification as indigenous or tribal as a fundamental criterion for determining the application of this Policy.

16. In some countries, such groups are referred to as indigenous peoples. In other countries, they may be referred to by other terms, such as “indigenous peoples and local communities”, “local communities”, “sub-Saharan African historically underserved traditional local communities”, “indigenous ethnic minorities”, “Afro-descendent communities of South America and the Caribbean”, “ethnic groups”, “aboriginals”, “hill tribes”, “vulnerable and marginalized groups”, “minority nationalities”, “scheduled tribes”, “first nations”, “tribal groups”, “pastoralists”, “hunter-gatherers”, “nomadic groups” or “forest dwellers”. Regardless of which terminology is used, the requirements of this Policy will apply to all such groups.

17. This Policy applies whenever indigenous peoples are present in, have, or had a collective attachment or right to areas where GCF-financed activities will be implemented. This includes indigenous peoples who, during the lifetime of members of the community or group, have lost collective attachment to distinct habitats or ancestral territories in the project area because of forced severance, conflict, government resettlement programs, dispossession of their land, natural disasters, or incorporation of such territories into an urban area.¹

18. This Policy applies regardless of whether indigenous peoples are affected positively or negatively, and regardless of the significance of any such impacts.

19. The application of this Policy will not be limited by the absence of legal recognition or identification of indigenous peoples by a state. It will also not be limited by the legal status of titling of indigenous lands, resources and territories.

20. This Policy also applies irrespective of the presence or absence of discernible economic, political or social vulnerabilities, although the nature and extent of vulnerability will be a key variable in designing plans to promote equitable access to benefits or to mitigate adverse impacts.

¹ Care must be taken in application of this ESS standard in urban areas. Generally, it does not apply to individuals or small groups migrating to urban areas in search of economic opportunity. It may apply, however, where indigenous peoples have established distinct communities in or near urban areas but still possess the characteristics stated in paragraph 13.

V. Guiding principles

21. The guiding principles of the existing and proposed policies of GCF will apply to this Policy.
22. In addition, the guiding principles for this Policy will include:
 - (a) **Develop and implement free, prior and informed consent.** GCF will ensure and require evidence of the effective consultation and application of free, prior and informed consent through appropriate procedures and in particular through their representative institutions whenever consideration is being given to GCF-financed activities that will affect indigenous peoples' lands, territories, resources, livelihoods and cultures or require their relocation as described in section 7.2;
 - (b) **Respect and enhance the rights of indigenous peoples to their lands, territories and resources.** All GCF activities will fully respect and support indigenous peoples' rights related to land, territories and resources, and rights related to cultural and spiritual heritage and values, traditional knowledge, resource management systems and practices, occupations and livelihoods, customary institutions, and overall well-being;
 - (c) **Recognize key international human rights and principles.** All GCF activities will respect the principles set forth in UNDRIP and other relevant international and regional instruments relating to the rights of indigenous peoples and individuals, including, where applicable but not limited to, ILO Convention No. 169, the International Covenant on Economic, Social and Cultural Rights, and the International Convention on the Elimination of All Forms of Racial Discrimination;
 - (d) **Respect the right of indigenous peoples under voluntary isolation.** GCF will respect the prerogative of indigenous peoples living in voluntary isolation, or remote groups with limited external contact, also known as peoples "in voluntary isolation", "isolated peoples" or "in initial contact", to remain isolated and to live freely according to their culture. Activities that may affect these peoples, their lands and territories, or their ways of life will include the appropriate measures to recognize, respect and protect their lands and territories, environment, health and culture, and to avoid contact with them as a consequence of the activity;
 - (e) **Respect and recognize traditional knowledge and livelihood systems.** GCF recognizes, respects and values indigenous peoples' cultural heritage as well as traditional knowledge held by indigenous peoples and the indigenous ways of ownership and knowledge transmission, and will promote the participation and leadership of traditional knowledge holders in GCF-financed activities;
 - (f) **Enhance the capacity for indigenous peoples issues within GCF.** GCF will develop its advisory and decision-making capacities to understand and properly address indigenous peoples' issues and rights, including developing the capacity of Board members and Secretariat management and staff;
 - (g) **Facilitate access to GCF resources for indigenous peoples.** GCF will encourage national designated authorities and accredited entities to engage with and be inclusive of indigenous peoples. GCF may consider taking actions to better meet the needs and priorities of indigenous peoples to support their initiatives and efforts for climate change mitigation and adaptation actions; and
 - (h) **Respecting the system of self-government.** GCF should promote respect for the right of indigenous communities to freely pursue their economic, social and cultural development and their right to autonomy or self-government in matters relating to their internal and local affairs, as well as ways and means for financing their autonomous functions.

VI. Overview of roles and responsibilities

6.1 Overview of GCF roles and responsibilities

23. **Operational guidelines.** GCF is responsible for developing and updating the operational guidelines to accompany this Policy.
24. **Documenting and communicating.** GCF is responsible for documenting and communicating the experience and knowledge acquired from the implementation of this Policy.
25. **Accreditation.** In relation to the accreditation of entities, GCF is responsible for determining the capacity of the entities to implement this Policy. Where capacities exist, GCF will assess the consistency of the system and approach used by the entities and intermediaries with this Policy. As necessary, GCF will collaborate with the entities on measures to improve their capacities, including the deployment of available support and assistance.
26. **Managing risks throughout the project cycle.** Within the parameters of GCF-financed activities, GCF is responsible for:
- (a) Requiring the accredited entities to implement management system consistent with this Policy, thereby providing for free, prior and informed consent and a systematic, consistent and transparent management of risks and impacts from GCF-financed activities. Where gaps or weaknesses exist, GCF will require that these are addressed by the accredited entities in a manner and time amenable to GCF and the accredited entities so that an effective system is in place before GCF-financed activities are implemented;
 - (b) Requiring and ensuring that appropriate screening and categorization processes within the accredited entity systems are conducted;
 - (c) Conducting due diligence on activities proposed for funding consideration, and recommending to the Board for financing only those proposed activities with free, prior and informed consent and satisfactory approaches to managing risks and impacts, consistent with this Policy;
 - (d) Requiring that risk and impact assessments for activities are adequate and provide sufficient information to assess whether free, prior and informed consent has been properly provided and whether GCF should consider funding the activities and should determine suitable avoidance, mitigation or compensation measures in those cases where proceeding with funding consideration is appropriate. Where gaps or weaknesses exist in the assessment, GCF will require that they are addressed;
 - (e) Requiring that accredited entities implement (which may include the role of an executing entity), monitor and supervise the activity's implementation and compliance with (as an intermediary) this Policy and require that any gaps or weaknesses be addressed;
 - (f) Carrying out monitoring, reviewing and reporting functions related to the performance of accredited entities and the supported activities, as may be required consistent with the monitoring and accountability framework; and
 - (g) Reviewing proposed operational changes with respect to GCF-financed activities or the accredited entity management systems and requiring additional measures to align this Policy, if necessary.
27. **Information disclosure, stakeholder engagement and grievance redress.** GCF is responsible for:
- (a) Confirming that all information related to free, prior and informed consent and the risks and impacts of activities are appropriately disclosed to meet the requirements of the

- GCF Information Disclosure Policy and this Policy and working with accredited entities to address any gaps or weaknesses in the disclosure of relevant information;
- (b) Confirming that persons and communities affected or potentially affected by any GCF activity are consulted by the accredited entities or through its executing entities during the design and implementation of the activities and that appropriate grievance and redress mechanisms are established and function in a way that is complementary to the GCF independent Redress Mechanism and requiring that any gaps or weaknesses be addressed; and
 - (c) Ensuring that accredited entities establish activity-specific grievance redress mechanisms and fully implement remedial actions stipulated by the Board on the recommendation of the independent Redress Mechanism in response to complaints received by the independent Redress Mechanism and in accordance with the terms of reference, guidelines and procedures of the independent Redress Mechanism and consistent with the requirements of this Policy.
28. **Compliance.** GCF will require accredited entities to comply with their obligations specified in their accreditation, this Policy and any IPP or Indigenous Peoples Planning Framework (IPPF), applicable state laws and regulations, and obligations of the state directly applicable to the activities under relevant international treaties and agreements. Where the accredited entities fail to comply with these requirements, GCF will work with the accredited entities to develop and implement corrective actions that will bring the activities back into compliance. Where the accredited entities fail to re-establish compliance within a time frame and manner that are mutually agreed upon, GCF may exercise its remedies under its legal agreement with the accredited entities.
29. **Indigenous peoples advisory group.** GCF will support the work of the indigenous peoples advisory group and ensure its recommendations are effectively conveyed to the Board, accredited entities, states and any other relevant organization or person as outlined in paragraphs 81 and 82.
30. **Review of Policy.** GCF is responsible for supporting the periodic review of the implementation of this Policy as outlined in section VIII below.

6.2 Overview of roles and responsibilities of the accredited entities

31. The accredited entities are responsible for:
- (a) In the case of activities proposed for GCF financing:
 - (i) Ensuring free, prior and informed consent has been properly sought and meaningful consultation has been undertaken in line with the requirements of this Policy;
 - (ii) Implementing a management system to manage the risks and impacts associated with the activities, including meaningful and inclusive multi-stakeholder consultation and engagement throughout the project cycle with indigenous peoples, taking into account the particular situations of other vulnerable groups and populations (including women, children and people with disabilities), appropriate to its role as an implementing entity (which may include a project execution role), an intermediary entity, or both, maintaining or improving the management system on which its accreditation was approved;
 - (iii) Ensuring that activities proposed for GCF financing are properly screened, assigned appropriate risk categories, and that the risks and impacts are properly and sufficiently assessed;

- (iv) Cooperating with GCF in its due diligence of the activities proposed for GCF financing;
 - (v) Ensuring that measures to avoid, minimize or mitigate adverse impacts, to compensate for residual impacts, and to provide for restoration are planned and adequately supported in the activities proposed for GCF financing;
 - (vi) Disclosing information on GCF-financed activities and component subprojects pursuant to the GCF Information Disclosure Policy, and developing and implementing ongoing stakeholder engagement, including entity-level and activity-level grievance mechanisms; and
 - (vii) Ensuring that remedial actions stipulated by the Board on the recommendation of the independent Redress Mechanism in response to a complaint from people affected by the activities are respected and promptly implemented.
- (b) In the case of GCF-financed activities:
- (i) Ensuring that free, prior and informed consent, IPPs and IPPFs are implemented, monitored and continuously improved as needed; and
 - (ii) Monitoring and reporting on the progress and performance of GCF-financed activities to GCF and its stakeholders throughout the implementation of the GCF-financed activities, in accordance with this Policy and any IPP and IPPF.

32. The accredited entities will confirm that the measures to implement this Policy, including, as relevant, free, prior and informed consent, meaningful consultation, information disclosure, stakeholder engagement and grievance redress, are incorporated in the agreements with executing entities including tendering documents and contracts.

33. The accredited entities are responsible for compliance with all applicable laws, including the laws, regulations and standards of the state(s) in which the activities are located, and the obligations of the state(s) directly applicable to the activities under relevant international treaties and agreements.

34. Entities that are functioning as financial intermediaries are responsible for managing the risks associated with the supported activities. The intermediaries will review all subprojects and delegated activities to identify where the entities and GCF could be exposed to potential risks and take necessary actions, including the development and operation of management systems to oversee and manage these risks. The accredited entities acting in intermediary functions will require and ensure that all component subprojects and activities meet the requirements of this Policy. The accredited entities will also guarantee that the borrowers, grantees and investees have the adequate management systems, processes and capacity to manage the implementation of this Policy and the impacts of GCF-funded activities and will ensure: that the individual subprojects and delegated activities are properly screened, assessed, and assigned an appropriate risk category; that free, prior and informed consent and meaningful consultation are met and subjected to due diligence and oversight; and that the implementation and outcomes are monitored and reported.

35. The accredited entities will be responsible for ensuring that the communities affected or potentially affected by the activities are properly consulted in a manner that provides them with opportunities to express their views on all aspects of the activity and allows the accredited entities to consider and respond to their concerns. In ensuring the meaningful and effective consultation and participation of the affected communities and vulnerable populations, the accredited entities will align their processes to best practices and standards and will make publicly available the relevant information on the activities according to the requirements of the GCF Information Disclosure Policy and this Policy.

VII. Requirements

7.1 General

36. A key purpose of this Policy is to ensure that indigenous peoples present in, or with collective attachment, be it present or past, to, the areas where GCF-financed activities are implemented (or activities proposed for GCF-financing will be implemented) are fully informed, consulted about, and provided adequate and legitimate opportunities to actively participate in project design and the determination of project implementation arrangements, operation, and decommissioning. Consultations and subsequent project planning and documentation processes will address potential risks and impacts as these may affect indigenous peoples. The scope and scale of consultations, as well as subsequent project planning and documentation processes, will be proportionate to the scope and scale of potential risks and impacts as these may affect indigenous peoples.

37. The accredited entities, in collaboration with potentially affected indigenous peoples and the host government(s), will assess the nature and degree of the expected direct and indirect economic, social, cultural (including cultural heritage) and environmental impacts on indigenous peoples who are present in, or have a collective attachment to, the project area. The accredited entities, with the participation of the potentially affected indigenous peoples and the host government, will prepare a consultation strategy and identify the means by which affected indigenous peoples will participate in the design and implementation of GCF-financed activities as well as share equitably in the benefits.

38. The accredited entities' proposed measures and actions will be developed in collaboration with the potentially affected indigenous peoples and contained in a time-bound plan that is culturally appropriate. Where there are potential impacts on indigenous peoples, accredited entities with indigenous peoples will prepare an IPP or, if specific activities or locations have not yet been determined, an IPPF. The scope and scale of the IPP or IPPF will be proportionate to the potential risks and impacts of the project. The IPPF will include a description of the processes and plans so that specific activities meet the requirements of this Policy and the GCF Environmental and Social Policy and ESS standards, including provisions for the development and implementation of site-specific IPPs that meet the requirements of this Policy. The IPPF and IPP will complement the social assessments of the project and programmes proposed for GCF financing and provide guidance on specific issues related to addressing the needs of the affected indigenous peoples. The format and title of the IPP or IPPF will be adjusted as appropriate to the project or state context and will reflect any alternative terminology for the indigenous peoples.

39. An IPP should include the following elements:

- (a) Baseline information (from independent and participatory environmental and social risks and impacts assessment processes);
- (b) Key findings and analyses of impacts, risks and opportunities;
- (c) Measures to avoid, minimize and mitigate negative impacts, and enhance positive impacts and opportunities;
- (d) Community-based natural resource management;
- (e) Results of consultations (during environmental and social risks and impacts assessment processes), including a list of people and organizations that participated, a timetable, who was responsible for each activity, the free, prior and informed consent, and future engagement plans;
- (f) Gender assessment and action plans;
- (g) Benefit sharing plans;

- (h) Tenure arrangements;
- (i) Grievance redress mechanisms;
- (j) Costs, budgets, timetables, organizational responsibilities; and
- (k) Monitoring, evaluation and reporting.

40. If the accredited entities are acting in an intermediary function, the accredited entities will require and ensure that the executing entity and other intermediaries apply and fulfill the requirements of this Policy. The accredited entity and the executing entity will conduct the necessary due diligence and oversight to ensure that these requirements are fulfilled.

41. Where communities are mixed, or indigenous peoples live in close proximity to different social and ethnic groups, this Policy should be applied for the benefit of both the indigenous peoples and the other group/s living together or in close proximity.

7.1.1. Activities designed solely to benefit indigenous peoples

42. Where GCF-financed activities are designed to provide benefits only to indigenous peoples, the accredited entities and executing entities will proactively engage with the relevant indigenous peoples to ensure their ownership, buy-in and participation in the design, implementation, equitable benefit sharing, monitoring and evaluation of GCF-financed activities. The accredited entities will consult with the indigenous peoples as to the cultural appropriateness of proposed services or facilities and will seek to identify and address any economic, social or capacity constraints (including those relating to gender, the elderly, youth and persons with disabilities) that may limit opportunities to benefit from, or participate in, the project.

43. When indigenous peoples are the sole, or constitute the overwhelming majority of, beneficiaries of GCF-financed activities, the elements of the IPP will be included in the overall design and the environmental and social management plans in relation to environmental and social due diligence of the GCF-financed activities. The preparation of a standalone IPP or IPPF will not be necessary.

7.1.2. Activities where indigenous peoples are not the sole beneficiaries

44. When indigenous peoples are not the only beneficiaries of the activities proposed for GCF financing, the planning documents and procedures may vary in form and presentation and will meet the requirements of this Policy regardless of form and presentation. The accredited entities will design and implement the GCF-financed activities in a manner that provides affected indigenous peoples with equitable access to project benefits. The concerns or preferences of indigenous peoples will be addressed through meaningful consultation, including a process to seek and obtain their free, prior and informed consent and documentation will summarize the consultation results and describe how indigenous peoples' issues have been addressed in the design of the GCF-financed activities. Arrangements for ongoing consultations during implementation and monitoring will also be described.

45. The accredited entities will prepare a time-bound plan, such as an IPP, setting out the measures or actions proposed. In some circumstances, a broader integrated community development plan will be prepared, addressing all beneficiaries of the GCF-financed activities and incorporating necessary information relating to the affected indigenous peoples. A community development plan may be appropriate in circumstances where other people, in addition to the indigenous peoples, will be affected by the risks and impacts of the GCF-financed activities, where more than one indigenous peoples group is to be included, or where the regional or national scope of a programmatic project incorporates other population groups.

7.1.3. Avoidance of adverse impacts

46. Adverse impacts on indigenous peoples will be avoided to the maximum possible extent. Where alternatives have been systematically explored to consider feasible alternative project designs to avoid adverse impacts, and adverse impacts are unavoidable, the accredited entities will minimize and compensate for these impacts in a culturally appropriate manner proportionate to the nature and scale of such impacts and the form and degree of vulnerability of the affected indigenous peoples. The appropriate mitigation measures to minimize impacts and for appropriate compensation will be determined with the full and effective participation of affected indigenous peoples, including indigenous women, youth, the elderly and disabled people.

47. When situations arise in which GCF-financed activities may potentially affect remote groups with limited external contact, also known as peoples “in voluntary isolation”, “isolated peoples” or “in initial contact”, the accredited entities will take all appropriate measures to recognize, respect and protect their lands and territories, environment, health and culture, as well as measures to avoid all undesired contact with them as a consequence of the GCF-financed activities. The aspects of the GCF-financed activities that would result in such undesired contact will not be processed further.

7.1.4. Mitigation and development benefits

48. The accredited entities, with the full and effective participation of the indigenous peoples, will identify measures to mitigate environmental and social risks and impacts in alignment with the mitigation hierarchy as described in the ESS standard of GCF and other relevant policies of GCF that set prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits. The scope of the environmental and social assessments and mitigation will include cultural impacts as well as physical impacts. The accredited entities will ensure the timely delivery of agreed measures to indigenous peoples.

49. The determination, delivery and distribution of compensation and shared benefits to indigenous peoples will take account of the institutions, rules and customs of these indigenous peoples, capacities and gender equality. Eligibility for compensation can either be individually or collectively based, or be a combination of both, to be determined in consultation with affected indigenous peoples. Where compensation occurs on a collective basis, as far as practicable, mechanisms that promote the effective distribution of compensation to all eligible members, or collective use of compensation in a manner that benefits all members of the group, including women, youth, the elderly and persons with disabilities, will be defined and implemented in consultation with affected indigenous peoples.

50. Various factors, including, but not limited to, the nature and context of the GCF-financed activities and the vulnerability of affected indigenous peoples, will determine how affected indigenous peoples will benefit from the activities. Identified opportunities will aim to address the goals and preferences of the affected indigenous peoples, including improving their standard of living and livelihoods in a culturally appropriate manner, recognizing and strengthening the role of women in the project, and fostering the long-term sustainability of the natural resources on which they depend.

7.1.5. Meaningful consultation tailored to indigenous peoples

51. To promote the effective design of GCF-financed activities, to build local project support or ownership or buy-in, and to reduce the risk of delays or controversies, the accredited entities will undertake an engagement process with indigenous peoples. This engagement process will commence as soon as is feasible and prior to the commencement of any activities that may affect their rights or interests and will carry on throughout the life of the project. The engagement process will include stakeholder analysis and engagement planning, the disclosure of information, and meaningful consultation in local language(s) and in a culturally appropriate

and gender- and inter-generationally inclusive manner in accordance with the customs, norms, and values of the affected people and through their chosen representatives.

52. For indigenous peoples, the process of meaningful consultation will also:
- (a) Involve indigenous peoples' representative bodies and organizations (e.g. councils of elders, village councils, or chieftains) and, where appropriate, other community members, including indigenous women and youth. For GCF-financed activities that have a regional or national scope, it must be carefully evaluated whether meaningful consultation can only be carried out with indigenous peoples organizations or legitimate representatives at the relevant national or regional levels. Meaningful consultations may require that consultations be carried out at a local level in addition to at the regional and national levels. These organizations or representatives will be identified in the stakeholder engagement process described in the GCF ESS standards and other relevant policies of GCF;
 - (b) Begin as early as possible in the project design and development process and will provide sufficient time for indigenous peoples' decision-making processes. Internal decision-making processes are generally but not always collective in nature. There may be internal dissent and decisions may be challenged by some in the community. The consultation process will, therefore, allow sufficient time for internal deliberations and decision-making processes to reach conclusions. The consultation process will be free of external manipulation, interference, coercion and intimidation;
 - (c) Allow for indigenous peoples' effective and legitimate participation in the design of GCF-financed activities that could potentially affect them either positively or negatively;
 - (d) Take into account the interests of community members that are particularly affected and marginalized, especially women, youth, indigenous persons with disabilities and the elderly, including being cognizant of traditional cultural approaches that may exclude segments of the community from the decision-making process. Additionally, spaces should be created to allow for their direct participation in consultation and in the decision-making process; and
 - (e) Assess the capacity of the indigenous peoples to engage and consider and implement effective communication and capacity-building programs to enhance the effectiveness of the process with indigenous peoples. This should include the possibility and availability of resources to ensure adequate preparation and participation in the process.
53. The accredited entities and indigenous peoples will agree on appropriate engagement and consultation processes as early as possible, commensurate with the scale of impact and vulnerability of the communities. This will be done through framework documents or plans that identify representatives of indigenous peoples, the agreed consultation process and protocols, the reciprocal responsibilities of parties to the engagement process, and agreed avenues of recourse in the event of an impasse occurring. The entity will document support for the agreed process from the indigenous peoples.

7.2 Circumstances requiring free, prior and informed consent

54. The free, prior and informed consent of indigenous peoples will be required in the circumstances identified in this section. There is no universally accepted definition of free, prior and informed consent. For the purposes of this Policy, free, prior and informed consent will have the meaning described in this Policy. Free, prior and informed consent will be an iterative process, requiring indigenous peoples' consent before a proposal for GCF financing is considered by the Board, on the basis of their own independent deliberations and decision-making process, based on adequate information to be provided in a timely manner, in a culturally appropriate manner, in a local language that is understood by them, and through a

process of transparent and inclusive consultations, including with women and youth, and free of coercion or intimidation. Free, prior and informed consent does not require unanimity and may be achieved even when individuals or groups within or among affected indigenous peoples explicitly disagree.

55. Accredited entities will:

- (a) Describe how the activities proposed for GCF financing will be consistent with applicable law and obligations of the state directly applicable to the activities under relevant international treaties and agreements, particularly with regard to a transparent and inclusive free, prior and informed consent during project and programme design, implementation, and expected outcomes related to the risks and impacts affecting the communities of indigenous peoples;
- (b) Describe the involvement of indigenous peoples, including women, girls, and youth, in the design and implementation of the GCF-financed activities, and provide detailed outcomes of the consultation process of the indigenous peoples; and
- (c) Provide documented evidence of the mutually accepted process within the GCF-financed activities between the implementing entities and the affected communities, and evidence of an agreement between the parties that was the outcome of the negotiations.

56. As part of the operational guidelines of this Policy, the Secretariat, in consultation with indigenous peoples, will develop and maintain guidance on the application of free, prior and informed consent. This guidance will be developed in a timely manner, and the Secretariat will ensure that it is followed by all relevant parties.

57. Any reference to free, prior and informed consent of indigenous people in GCF (e.g. Board decisions, policies, GCF ESS standards) shall have the meaning described in this Policy.

7.2.1. Impacts on lands and natural resources subject to traditional ownership or under customary use or occupation

58. Where the activities proposed to be financed by GCF may require the establishment of legally recognized rights to lands and territories, the accredited entities, working with the states and the affected indigenous peoples, will prepare a plan to ensure the legal recognition of such property rights in accordance with applicable law and obligations of the state directly applicable to the activities under relevant international treaties and agreements, customs, traditions and land tenure systems of the indigenous peoples.

59. Where the activities proposed to be financed by GCF are located on, or develop natural resources on, land subject to traditional ownership or tenure, including but not limited to collective ownership or under the customary use or occupation of indigenous peoples, and potential adverse impacts, including loss of access to assets or resources, or restrictions on land use, can be expected, the accredited entity will take the following steps and seek the free, prior and informed consent of the indigenous peoples and prepare an indigenous peoples engagement plan and/or IPP:

- (a) Document efforts to avoid and otherwise minimize the area of land subject to traditional ownership, use, or occupation proposed for the activities;
- (b) Document efforts to avoid and otherwise minimize impacts on natural resources subject to traditional ownership, use, or occupation;
- (c) Identify and review all property interests, tenure arrangements and traditional resource usage prior to purchasing, leasing, or, as a last resort, undertaking land acquisition;
- (d) Assess and document indigenous peoples' land and resource use without negatively affecting any indigenous peoples' land claims. The assessment of land and natural

resource use will be gender inclusive and specifically consider women's roles in the management and use of these resources;

- (e) Ensure that affected indigenous peoples are informed of and understand: (i) their land rights under applicable law and obligations of the state directly applicable to the activities under relevant international treaties and agreements; (ii) the scope and nature of the activities proposed for GCF-financing; and (iii) the potential impacts of the activities proposed for GCF-financing; and
- (f) Where the activities promote commercial development of their land or natural resources, afford due process and offer compensation together with culturally appropriate sustainable development opportunities to indigenous peoples at least equivalent to that to which any landowner with full legal title to the land would be entitled, including:
 - (i) Providing fair lease arrangements or, where land acquisition is necessary and unavoidable, providing land-based compensation that is comparable to the land acquired from the indigenous peoples or compensation in kind in lieu of cash compensation where feasible. The amount and quality of the compensation will be coordinated with, consulted on and consented to by the indigenous peoples;
 - (ii) Ensuring continued access to natural resources, identifying the equivalent replacement resources, or, as a last option, providing compensation and identifying alternative livelihoods if project development results in the loss of access to or the loss of natural resources independent of project land acquisition;
 - (iii) Enabling indigenous peoples to share equitably in the benefits to be derived from the commercial development of the land or natural resources where the entity intends to utilize land or natural resources; and
 - (iv) Providing affected indigenous peoples with access, usage and transit on land the GCF-financed activities are developing.

7.2.2. Relocation of indigenous peoples from lands and natural resources subject to traditional ownership or under customary use or occupation

60. GCF will not finance activities that would result in the involuntary resettlement of indigenous peoples except as permitted by paragraph 61. GCF will avoid funding activities that may involve physical displacement (i.e. relocation, including relocation needed as a result of loss of shelter), whether full or partial and permanent or temporary, or economic and occupational displacement (i.e. loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of the activities.

61. In exceptional circumstances where resettlement or displacement is unavoidable to achieve the project or programme objective, they will only be permitted if they meet the following criteria: (a) free, prior and informed consent has been obtained as described above; (b) they are authorized by national law; (c) they are carried out in a manner consistent with the obligations of the state directly applicable to the activities under relevant international treaties and agreements; (d) they are reasonable and proportional as determined by GCF and the accredited entity as part of their due diligence; (e) they follow standards of due process consistent with the GCF ESS standards and pursuant to other applicable policies of GCF and the accredited entity, including those related to involuntary resettlement policy requirements; and (f) they are regulated so as to ensure full and fair compensation and rehabilitation as well as right of return, if applicable.

62. The accredited entities will consider, disclose, and present for stakeholder consultation feasible project design alternatives and livelihood restoration measures that may be distinct from the components of the GCF-financed activities and that are designed to avoid the

resettlement, relocation or displacement of indigenous peoples from communally held or attached land and natural resources subject to traditional ownership or customary use or occupation.

7.2.3. Cultural heritage

63. Where the activities proposed for GCF financing may potentially impact cultural heritage, which includes but is not limited to natural areas with cultural and/or spiritual value, such as sacred groves, sacred bodies of water and waterways, sacred mountains, sacred trees, sacred rocks, burial grounds and sites, as well as the non-physical expressions of culture, such as traditions, language, identity, ceremonial, or spiritual aspects of the affected indigenous peoples' lives, priority will be given to the avoidance of such impacts. Where significant negative impacts are unavoidable, the accredited entities will obtain the free, prior and informed consent of affected indigenous peoples.

64. Where the activities proposed for GCF financing propose to use the cultural heritage of indigenous peoples for commercial purposes, the accredited entities will inform the affected indigenous peoples in an accessible local language(s), a culturally-appropriate manner, and through a means that ensures understanding of the affected indigenous peoples of (a) their rights under applicable law and obligations of the state directly applicable to the activities under relevant international treaties and agreements; (b) the scope and nature of the proposed commercial development and use; and (c) the potential consequences of such development and use; and that (d) seeks and obtains their free, prior and informed consent. The accredited entities will ensure that the indigenous peoples share equitably in the access to benefits derived from the commercial development of such cultural heritage, consistent with the customs and traditions of the indigenous peoples.

7.3 Grievance redress mechanism

65. Any issue raised in this Policy will be deemed as relevant and thereby considered appropriate for the various grievance redress mechanisms operating as part of GCF.

66. All GCF-financed activities affecting indigenous peoples will establish an effective grievance redress mechanism at the project level to address indigenous peoples' project-related concerns. The mechanism will be designed in consultation with the affected or potentially affected communities of indigenous peoples. The mechanism will facilitate the resolution of grievances promptly through an accessible, fair, transparent and constructive process. It will also be culturally appropriate and readily accessible, at no cost to the affected communities, and without retribution to the individuals, groups, or communities that raised issues or concerns. Where feasible and suitable for the project, the grievance mechanism will utilize existing formal or informal grievance mechanisms, supplemented as needed with project-specific arrangements. The mechanism will not prejudice the access to judicial or administrative remedies that may be available through the state systems, acknowledging that these localized systems may provide more robust information and better reflect the context of the issues on the ground. It will also not impede access to the GCF independent Redress Mechanism or the accredited or executing entities' grievance redress mechanism. The mechanism will take into account the "effectiveness criteria" for non-judicial grievance mechanisms outlined in Article 31 of the United Nations Guiding Principles on Business and Human Rights in order to maximize effectiveness.

67. The scope, scale and type of grievance redress mechanism required for the project- and programme-level will be proportionate to the nature and scale of the potential risks and impacts of the project or activity. The grievance redress mechanism will include the following:

- (a) Different ways in which indigenous peoples can submit their grievances, and taking into account language barriers/limitations and the need for anonymity if a complainant fears retaliation or submission by an authorized representative or civil society organization;
- (b) Provision to keep complainants' identities confidential, especially in instances where the complainants fear retaliation;
- (c) Provision for interpretation/translation to overcome language barriers/limitations;
- (d) A log where grievances are registered in writing and maintained as a publicly available database. The database should include information about the complaint and the resolution of the complaint, including the remedy provided, taking into consideration that complainants' identities can be kept anonymous if requested. This database should also be shared with the GCF independent Redress Mechanism;
- (e) Publicly advertised procedures, identifying the means for submitting grievances, setting out the length of time users can expect to wait for acknowledgment, response, and resolution of their grievances, descriptions of the transparency of the procedures, and the governing and decision-making structures;
- (f) An appeals process to which unsatisfied grievances may be referred when the resolution of grievance has not been achieved;
- (g) Information about other available grievance mechanisms, including the GCF independent Redress Mechanism and the accredited and implementing entities' grievance mechanisms; and
- (h) Measures in place to protect complainants from retaliation.

68. The project or activity will offer mediation (or similar dispute resolution or problem-solving services) as an option where users are not satisfied with the proposed resolution that may be provided through the dispute resolution or problem-solving mechanism of the accredited entity or the GCF independent Redress Mechanism.

69. This mechanism will consider customary laws, applicable law and obligations of the state directly applicable to the activities under relevant international treaties and agreements, dispute resolution mechanisms, and justice systems of indigenous peoples as appropriate and be able to use independent indigenous experts. The mechanism will not preclude the option to use the accountability mechanisms of GCF and those of the accredited entities and executing entities, ensuring that users are provided with the necessary financial and technical support to access such mechanisms.

70. The GCF independent Redress Mechanism and the Secretariat's indigenous peoples focal point will be available for assistance at any stage, including before a claim has been made.

71. In the event of complaints being filed with the independent Redress Mechanism, the accredited entities and executing entities, relevant national competent authorities, and any other relevant parties will cooperate with the independent Redress Mechanism, including providing all required information. In addition, the accredited entities and executing entities will promptly implement remedial measures stipulated by the Board on the recommendation of the independent Redress Mechanism pursuant to its guidelines and procedures.

7.4 Indigenous peoples and broader planning

72. The accredited entities may include technical or financial support as part of the GCF-financed activities for the preparation of plans, strategies or other activities intended to strengthen consideration and participation of indigenous peoples in the climate change actions that are consistent with the mandate of GCF. This may include a variety of initiatives designed, for example, to (a) strengthen local legislation to establish recognition of customary or

traditional land tenure arrangements; (b) address the gender, socio-economic divisions and intergenerational issues that exist among indigenous peoples; (c) protect traditional knowledge through intellectual property rights; (d) strengthen the capacity of indigenous peoples to participate in development planning or programs; (e) strengthen the capacity of government agencies providing services to indigenous peoples; and (f) foster the meaningful inclusion and participation of indigenous women and other marginalized groups, such as persons with disabilities.

73. The national designated authorities and accredited entities may seek support through readiness and preparatory support proposals and funding proposals for various initiatives, including (a) support for the development priorities of indigenous peoples through programs, (such as community-driven development programs) developed by governments in cooperation with indigenous peoples; (b) preparation of participatory profiles of indigenous peoples to document their culture, demographic structure, gender and intergenerational relations and social organization, institutions, production systems, religious beliefs and resource-use patterns; and (c) facilitating partnerships among the government, indigenous peoples organizations, civil society organizations, and the private sector to promote the climate resiliency of indigenous peoples communities.

VIII. Implementation

8.1 Implementation arrangements

74. This Policy supports the existing policies and practices of GCF, particularly those related to the management of environmental and social risks and impacts, including the application of the GCF ESS standards. The implementation of this Policy will take into consideration the roles and responsibilities for GCF, the Secretariat, states, accredited entities and executing entities, and independent accountability units.

75. This Policy supplements the interim GCF ESS standard on indigenous peoples and its requirements, the GCF Gender Policy and Action Plan, and other GCF policies.

76. If there is any inconsistency between this Policy and other GCF policies with respect to indigenous peoples, this Policy will prevail on the basis that it represents the Policy governing a specific subject matter.

77. Accredited entities will ensure that GCF-financed activities approved by the Board prior to this Policy being adopted by the Board will use best endeavors to meet the requirements of this Policy.

78. The Board will oversee the implementation of this Policy and will review the implementation of this Policy every five years. The Board will regularly monitor its implementation through the review of periodic implementation reports from the Secretariat that take into account the information received from the accredited entities and the independent accountability units and independent observers as outlined in paragraph 106.

79. The Secretariat will undertake a periodic assessment of the implementation of this Policy to support the reviews mentioned in paragraph 105 of this Policy, which will require the collection of baseline data, and to (a) determine how GCF can improve its response to the needs of indigenous peoples; (b) identify the drivers of change to achieve adaptation or mitigation goals; (c) identify and design the specific and culturally appropriate elements to be included in GCF policies and GCF-financed activities; (d) estimate the resources necessary for the implementation of the Policy; (e) select specific output, outcome and impact indicators for indigenous peoples; and (f) design and establish implementation and monitoring arrangements that promote and develop effective participation of indigenous peoples within GCF-financed activities. Accredited entities and executing entities will assist in this assessment. Indigenous

peoples and civil society organizations will be invited to participate and assist in this assessment.

80. A Senior Indigenous Peoples Specialist will be appointed to the Secretariat and will be the indigenous peoples focal point with operational responsibility to manage the implementation of this Policy.

81. An indigenous peoples advisory group will be established to enhance coordination between GCF, accredited entities and executing entities, states and indigenous peoples. The key functions of the group will be: (a) to provide advice to the indigenous peoples focal point, national designated authorities, and accredited entities and executing entities on GCF-financed activities affecting indigenous peoples; (b) to review the implementation and monitoring of this Policy, particularly on the appropriate modality to enhance dialogue among indigenous peoples, GCF, states, accredited entities and executing entities, and other experts; and (c) provide guidance and advice to the Board as may be requested.

82. The indigenous peoples advisory group will be made up of four indigenous peoples representatives from the regions of developing states where the GCF may fund activities. The advisory group members will be selected through an indigenous peoples-led, self-selection process for each region and should be gender balanced. The indigenous peoples advisory group will inform the Secretariat of the members of the group and, working together with the Secretariat, develop the terms of reference of the activities and functions of the group.

8.2 Operational guidelines

83. The operational guidelines containing technical and administrative references and tools for implementing this Policy will be developed and maintained by the Secretariat in consultation with accredited entities and executing entities, states, the indigenous peoples advisory group and indigenous peoples.

8.3 Information disclosure

84. This Policy will be made publicly available in accordance with the GCF Information Disclosure Policy.

85. The accredited entities and executing entities will ensure that all disclosed information will be provided in a culturally and socially appropriate manner, including in relevant indigenous languages, to indigenous peoples and their legitimate advisors and will also ensure that indigenous peoples have sufficient time to review and consider the disclosed information. The accredited entities will disclose information in accordance with the requirements of the GCF Information Disclosure Policy and the relevant accreditation master agreement signed between GCF and the accredited entity.

8.4 Stakeholder engagement

86. This Policy will apply to any process and guidance developed by GCF to assist the accredited entities and executing entities in putting in place a process for meaningful consultation with communities and people that are affected by GCF-financed activities or potentially affected by activities proposed for GCF financing.

8.5 Accountability

87. Through the accreditation process, and taking into account the fit-for-purpose accreditation approach,² accredited entities will be required to ensure compliance with this Policy. They will also be required to have policies, procedures and competencies in place with which to implement this Policy. After accreditation, and at the activity level, the accredited entities, through their own rules, policies and procedures, will be responsible for implementing this Policy as it relates to the GCF-financed activities through in-country project identification and implementation as well as for results reporting.

88. The Secretariat is accountable for the results of this Policy, and as part of its due diligence the Secretariat will ensure that GCF-financed activities are implementing and meeting the requirements of this Policy.

8.6 Country ownership and engagement

89. This Policy supplements the best practices for country coordination and multi-stakeholder engagement processes for developing national strategic frameworks and funding proposals³ and will apply to these and any future engagement processes of GCF.

90. Specifically, this Policy informs national designated authorities and focal points that any consultative process through which national climate change priorities and strategies are defined must also consider applicable national and international policies and laws for indigenous peoples. Furthermore, the criteria and options for country coordination through consultative processes should include indigenous peoples in an appropriate manner.

91. The requirements of this Policy form part of the relevant GCF ESS standards that accredited entities and states need to take into account when developing proposals, as well as ongoing monitoring and evaluation after approval.

8.7 Reducing emissions from deforestation and forest degradation (REDD-plus) actions

92. This Policy will apply to GCF-financed activities supporting the REDD-plus actions, including the readiness phase, results-based payments, and any access and financing modalities, guidance, terms of reference, and assessment tools developed by GCF with respect to REDD-plus actions. Consequently, any REDD-plus activities proposed for GCF financing, including results-based payments, will ensure that the requirements of this Policy, in conjunction with other relevant policies and standards of GCF, such as the Paris Agreement and UNFCCC REDD-plus decisions, including the Warsaw Framework for REDD-plus, are addressed, emphasizing that, for the purposes of GCF activities, references to stakeholders include indigenous peoples as defined in this Policy.

8.8 Competencies and capacity development

93. GCF will develop the capacity of its stakeholders, including the Secretariat, to understand and properly address indigenous peoples' issues and rights.

94. GCF will also ensure indigenous peoples, or those with expertise in indigenous issues, are included in the independent panels and advisory groups of GCF. The Secretariat will create a roster of indigenous peoples experts to be reviewed and updated in consultation with indigenous peoples and scholarly and policy referees.

² As outlined in decision B.08/02

³ As outlined in decision B.17/22, annex XX

95. Indigenous peoples training will be provided for the Secretariat to develop awareness of indigenous peoples issues.

96. GCF will support specific capacity-building programs for indigenous peoples as part of readiness and preparatory support proposals or funding proposals to ensure their full and effective engagement with GCF at all levels. This support will include, at a minimum, activities related to consultation, advocacy, institutional building for project implementation and management, as well as the effective engagement of indigenous peoples in the formulation of project proposals and monitoring and evaluation.

97. The states and accredited entities, particularly the direct access entities, may request readiness and preparatory support from GCF to enhance their capacity to implement this Policy.

8.9 Resource allocation

98. GCF will give consideration to activities proposed for GCF financing that are tailored to meet the needs and priorities of indigenous peoples and to support their initiatives and efforts for climate change mitigation and adaptation actions.

99. GCF may target funds to support indigenous peoples climate change adaptation and mitigation initiatives if it is necessary to correct for climate change exacerbated indigenous peoples inequality or they are not benefiting from GCF support adequately.

100. As the rationale for this Policy is to promote indigenous peoples engagement, the Board may consider giving additional weight to activities proposed for GCF financing with well-designed components to promote indigenous peoples engagements and benefits.

8.10 Knowledge generation and communication

101. GCF commits to generating and sharing knowledge built on the experiences gained from indigenous peoples and climate change and from implementing this Policy. GCF will also commit to capitalize on the knowledge and expertise gained by other organizations. Such knowledge is to be used to strengthen the competencies and capacities of all stakeholders. This will be coherent and complementary to the implementation of paragraph 135 of decision 1/CP.21 of the UNFCCC, specific to strengthening indigenous peoples' and local communities' knowledge systems integral to climate change adaptation and mitigation measures and the implementation of the indigenous peoples and local communities knowledge platform.

102. The Secretariat will document the experience and knowledge that will be acquired from the implementation of this Policy and will seek to identify good practices from states and accredited entities.

103. Communicating the commitment of GCF to indigenous peoples engagement, this Policy, and its operational guidelines, will inform a strategic communications activity and form an integral part of the communications plan of GCF and the responsibility of the Secretariat. Accredited entities will also be required to assist with this activity. It will be important to communicate to the public not only how GCF is implementing this Policy but also to seek periodic feedback from stakeholders and partners on the implementation of this Policy and on possible improvements.

IX. Effective date and review

104. The Policy will become effective upon its approval by the Board.

105. GCF will review and evaluate the overall performance of this Policy based on the objectives of this Policy. Appropriate amendments to this Policy will be considered, based on

the results of such review and evaluation, and changes to the Policy will follow the decision-making processes of GCF. The Independent Evaluation Unit will conduct an evaluation of the implementation of the Policy, and that will be included in the review. The consultations will include inputs from indigenous peoples, affected communities and other civil society organizations.

106. A review of the Policy will be undertaken five years after the effective date to assess the effectiveness of GCF in achieving the objectives of this Policy. This review will be supplemented by the assessment developed pursuant to paragraphs 78 and 79, and any other annual and mid-term implementation reviews and reports of GCF.

Annex XII: List of conditions and recommendations

1. The approval of the funding proposals approved by the Board pursuant to decision B.19/12 shall be conditional upon the satisfaction of the requirements set out in tables 1 and 2.

Table 1: General requirements applicable to all funding proposals

Funding proposal number	Requirements
All proposals	<p>(a) Signing of the funded activity agreement (“FAA”) in a form and substance satisfactory to the GCF Secretariat within 180 days of the date of Board approval or the date the accredited entity has provided a certificate or legal opinion set out in paragraph (ii) below, or date of effectiveness of the accreditation master agreement (“AMA”) entered into with the relevant accredited entity, whichever is later.</p> <p><u>Satisfaction of the following conditions prior to the signing of the FAA:</u></p> <p>(b) Completion of the legal due diligence to the GCF Secretariat satisfaction¹; and</p> <p>(c) Submission of a certificate or a legal opinion in a form and substance that is satisfactory to the GCF’s Secretariat, within 120 days² after Board approval, or the date of effectiveness of the AMA entered into with the relevant accredited entity, whichever is later, confirming that the accredited entity has obtained all final internal approvals needed by it and has the capacity and authority to implement the proposed project/programme.</p>

Table 2: Requirements specific to individual funding proposals

Funding proposal number	Requirements
FP059 (GIZ Grenada)	<i>None.</i>
FP060 (CCCCC Barbados)	<p><u>Satisfaction of the following conditions prior to the signing of the FAA:</u></p> <p>(a) The approval by the GCF Secretariat of a non-revenue water (NRW) reduction strategy document (NRW Strategy Document), compiled and recommended for approval by a water specialist to be hired by the Accredited Entity who shall have demonstrated extensive experience in implementation of water audits and NRW programs in accordance with the American Water Works Association and International Water Association guidelines.</p>

¹ In the event of inconsistency between this condition and any equivalent condition in a term sheet, the conditions in the relevant term sheet shall prevail.

² For FP065 (World Bank, Brazil), the period shall be 200 days. For FP074 (World Bank, Burkina Faso), FP076 (ADB, Cambodia), FP077 (ADB, Mongolia), the period shall be 180 days.

	<p>(b) The insertion in the FAA of a covenant by which the Accredited Entity shall ensure the implementation of, monitor and report on, the results of the NRW Strategy Document during Project implementation.</p>
<p>FP061 (DoE Antigua & Barbuda)</p>	<p><u>Satisfaction of the following conditions prior to the first disbursement under the FAA:</u></p> <p>(a) The accredited entity shall deliver evidence, in a form and substance satisfactory to the Secretariat, that the accredited entity has conducted consultations with all relevant stakeholders of the project in each of the three project countries, including with possible contractors, microlending institutions and beneficiaries; and</p> <p>(b) The accredited entity shall provide, to the satisfaction of the Secretariat, alternative options for the management of the revolving fund schemes in each of the countries, including a description of how existing institutions, including banks and microlending institutions, will be able to upscale the model after project implementation;</p> <p><u>Satisfaction of the following conditions prior to the second disbursement under the FAA:</u></p> <p>(a) The accredited entity shall deliver, in form and substance satisfactory to the Secretariat:</p> <p>(i) The detailed grant management guide and eligibility criteria for selecting the grantees (communities) under component 2; and</p> <p>(ii) The detailed credit assessment and loan management guide and eligibility criteria for selecting the grantees under Component 3;</p> <p>(b) The accredited entity shall provide, in form and substance satisfactory to the Secretariat, a description of the arrangements to deliver the project in each of the project countries. This description must include the managing unit and its coordination arrangements with relevant institutions, the technical committees and the overall coordination with the Organization of Eastern Caribbean States (OECS) Commission; and</p> <p>(c) The accredited entity shall provide and deliver, in form and substance satisfactory to the GCF Secretariat, a manual for each of the project countries containing details of climate investments to be provided to borrowers, including models of options of resilient investments and possible contractors.</p> <p><u>Inclusion of the following covenants in the FAA:</u></p> <p>(a) The accredited entity shall, during the lifetime of the project, provide annual reports with the list of investments and their climate change impacts.</p>
<p>FP062 (FAO Paraguay)</p>	<p><i>None.</i></p>
<p>FP063 (IDB Paraguay)</p>	<p><i>None.</i></p>

FP064 (IDB Argentina)	<i>None.</i>
FP065 (WB Brazil)	<i>None.</i>
FP066 (WB Marshall Islands)	<i>None.</i>
FP067 (WFP Tajikistan)	<i>None.</i>
FP068 (UNDP Georgia)	<i>None.</i>
FP069 (UNDP Bangladesh)	<p><u>Satisfaction of the following conditions prior to the signing of the FAA:</u></p> <p>(a) The selection and procurement of the appropriate technology to be used for pond water treatment shall be concluded to the satisfaction of the GCF and incorporated by the Accredited Entity into the project design and implementation arrangements. In particular, and for such purposes, the Accredited Entity shall:</p> <ol style="list-style-type: none"> 1. Procure an independent consultant with extensive experience in water treatment systems in rural areas and specific knowledge in the treatment of brackish water, with the procurement and selection of such consultant to be consulted with and agreed by the GCF. The terms of reference for such independent consultant shall require her/him: <ol style="list-style-type: none"> a. To visit an adequate number of sites distributed in the areas of intervention; b. To consider and impartially identify the most sustainable technology solutions based on: <ol style="list-style-type: none"> i. the different geographical conditions (for example, the north-east area of intervention is less likely to be impacted by high salinity than the south-west, thereby permitting the use of different water treatment technologies in different areas of intervention); ii. the technical, environmental, social and climate conditions existing in each area of intervention; iii. the need to avoid the use of proprietary technologies or name brands; iv. the capabilities of the recipients to operate and maintain the proposed systems / technologies and cover the relevant costs; v. the availability of spare and replacement parts within Bangladesh; and

	<ul style="list-style-type: none"> vi. the ability of Department of Public Health Engineering to cover the costs of major repairs and infrastructure renewals. vii. to describe the needs and appropriate solutions for each relevant area in sufficient detail so as to facilitate their procurement in an open and competitive process; and <p>2. Submit the report prepared by such independent consultant to the GCF for its approval.</p> <p><u>Inclusion of the following covenants in the FAA:</u></p> <ul style="list-style-type: none"> (a) Ensure that the procurement process for the identified technologies (as approved by the GCF): <ul style="list-style-type: none"> (i) is clearly described and extensively supported by evidence and data collected from the independent consultant’s site visits, literature and other reliable sources; and (ii) describes the needs and appropriate technology solutions for each relevant area in sufficient detail so as to facilitate their open and competitive procurement.
<p>FP070 (WB Bangladesh)</p>	<p><u>Satisfaction of the following conditions prior to execution of the FAA:</u></p> <ul style="list-style-type: none"> (a) Include a covenant in the FAA, requiring the AE to contractually require the Government of Bangladesh to contractually require IDCOL to comply with the relevant obligations of an Executing Entity under the AMA and the FAA. <p><u>Satisfaction of the following conditions prior to effectiveness of the FAA:</u></p> <ul style="list-style-type: none"> (a) Present a revised GHG emission reduction analysis, considering the different regions and different seasons in Bangladesh, based on real use by the communities of different fuels, including from renewable (e.g. biomass residues) and non-renewable sources; (b) Present a monitoring program that establishes the percentage of households that use woody biomass (from renewable and non-renewable sources) and other fuels, including biomass residues; and (c) Present a sociocultural program that provides incentives to the vulnerable communities to develop sustainable woodlots that could serve to supply biomass. <p><u>Satisfaction of the following conditions prior to the first disbursement under the FAA:</u></p> <ul style="list-style-type: none"> (a) Present and disseminate a study on access to finance and incentive options that considers community-driven market penetration mechanisms that will look into more equitable distribution strategies for improved cookstoves.
<p>FP071 (WB Vietnam)</p>	<p><i>None.</i></p>
<p>FP072 (UNDP Zambia)</p>	<p><i>None.</i></p>

<p>FP073 (MoE Rwanda)</p>	<p><u>Satisfaction of the following conditions prior to the first disbursement under the FAA:</u></p> <ul style="list-style-type: none"> (a) Delivery by the Accredited Entity of a report, in form and substance satisfactory to the GCF Secretariat, elaborating on how climate change mitigation and adaptation have been mainstreamed in the Gicumbi district development plan 2018-2024, making reference to the long-term vision of change, the strategy for climate-resilient green growth, institutional coordination arrangements between the national and district levels, and allocation of human resources and budget necessary for the implementation of such plan; and (b) Delivery by the Accredited Entity, in form and substance satisfactory to the GCF Secretariat, a detailed plan of action and economic and financial options to deliver, upscale and sustain the schemes of work for forestry, housing, energy including cookstoves and biogas facilities for schools and tea plantations financed by the Project. <p><u>Inclusion of the following covenants in the FAA:</u></p> <ul style="list-style-type: none"> (a) Together with the interim evaluation report submitted to the GCF, the Accredited Entity shall deliver to the GCF, in form and substance satisfactory to the GCF Secretariat, a detailed analysis of the effectiveness of the different schemes of work financed under the Project, challenges and ways to ensure scalability and sustainability. Such analysis shall give special attention to the diversification of forest species and relevant ecosystem services and the emissions monitoring system for sustainable regenerative forest management and energy consumption for cooking.
<p>FP074 (WB Burkina Faso)</p>	<p><u>Satisfaction of the following conditions prior to the signing of the FAA:</u></p> <ul style="list-style-type: none"> (a) A clear operations and maintenance (O&M) budgetary provision agreement to ensure the sustainability of the project after its completion. <p><u>Inclusion of the following covenants in the FAA:</u></p> <ul style="list-style-type: none"> (a) The accredited entity shall submit to the GCF Secretariat the following strategies within one year after the effectiveness of the funded activity agreement, and shall implement such strategies throughout the implementation period of the project to further ensure the country's ability to make the system operational: <ul style="list-style-type: none"> (i) A detailed strategy to train in-house country personnel and the applicable conditions to retain their services after the conclusion of their technical and educational programs that have been supported by the project; (ii) A detailed strategy of possible climate information products and services to be provided to farmers, insurance companies, private companies and other possible users to ensure additional sustainable income to maintain the project. This strategy should be developed by further participatory processes with different stakeholders; and (iii) A detailed strategy for knowledge-sharing, communication and dissemination of information to ensure that the information services reach all concerned stakeholders, including regions and civil society, to enable them to cope with the impacts of climate change.

<p>FP075 (ADB Tajikistan)</p>	<p><u>Satisfaction of the following conditions prior to the first disbursement under the FAA:</u></p> <p>(a) Submission by the Accredited Entity of a letter of commitment from the Government of Tajikistan, in form and substance satisfactory to the GCF Secretariat, where the Government of Tajikistan commits to fund hydromet's Operations & Maintenance costs beyond internally generated revenues, during and after the end of the project implementation.</p>
<p>FP076 (ADB Cambodia)</p>	<p><u>Inclusion of the following covenants in the FAA:</u></p> <p>(a) The accredited entity shall ensure that the Executing Entity monitors and reports annually as part of the APRs on:</p> <p>(i) The operations & maintenance (O&M) budget allocated by the Government of Cambodia, and</p> <p>(ii) The O&M plan for each sub-project.</p>
<p>FP077 (ADB Mongolia)</p>	<p><i>None.</i></p>
<p>FP078 (Acumen Africa)</p>	<p><u>Inclusion of the following conditions in the FAA:</u></p> <p>(a) The GCF shall commit USD 13,000,000 (thirteen million US Dollars) for the first closing of ARAF, subject to receiving written confirmation from the Accredited Entity that it has received final commitments from other investors, including the Accredited Entity, for that closing for a minimum amount of USD 12,000,000 (twelve million US Dollars);</p> <p>(b) For each subsequent closing of ARAF, the GCF shall commit on each closing a maximum of 40% (forty per cent) of the total commitments for that closing, with a maximum of USD 10,000,000 (ten million US Dollars) for all subsequent closings; and</p> <p>(c) In addition to the reporting obligations set out in the AMA and the Term Sheet, within 6 (six) months of the final closing of ARAF, the Accredited Entity shall submit to the GCF Secretariat an independent evaluation report conducted by a third party.</p> <p><u>Inclusion of the following covenant in the FAA:</u></p> <p>(a) For each individual investment, during the due-diligence process ARAF shall undertake a gender assessment. Based on any gaps identified on the gender assessment, ARAF will then develop a gender action plan, with funding from the Technical Assistance Facility, and implement it in the course of the relevant investment. The Accredited Entity shall include on its APRs the gender assessments and action plans for each previous year.</p>
<p>FP080 (AfDB Zambia)</p>	<p><u>Inclusion of the following covenants in the FAA:</u></p> <p>(a) The Accredited Entity shall develop and submit to the Government of Zambia (with a copy to the Secretariat), within two years after the signing of the funded activity agreement, a plan to enhance the Zambian enabling environment for solar energy penetration, including promoting training facilities for technicians and promoters, value chain schemes that promote Small and Medium Enterprises capable of selling, maintaining and</p>

	repairing systems, market and awareness schemes to promote the use of solar systems by communities, and knowledge sharing schemes within the financial community to increase the knowledge of investment analysts on solar energy. The Plan shall be developed through a consultative process with the Government of Zambia taking the lead and the Accredited Entity supporting through its policy dialogue, in order to ensure full buy-in for its adoption and implementation.
FP081 (NABARD India)	<i>None.</i>
SAP001 (EIF Namibia)	<i>None.</i>

2. In addition, it is recommended that, for all approved funding 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.

3. It is also recommended that the Accredited Entity implements the following recommendations during the implementation of the relevant project or programme.

Table 3: Project-specific recommendations

Funding proposal number	Recommendation
FP059 (GIZ Grenada)	(a) If land acquisition and occupation appears inevitable for the establishment of the storage reservoirs and pipelines, the AE ensures complete compliance with the GCF Environment and Social Safeguard standards for land acquisition and involuntary resettlement and avoid any negative impacts on land users and land owners from the project activities; and (b) As part of the programme for reduction of non-revenue water, a sub-programme to be carried out to reduce water losses inside the households. It is expected that the reduction of losses in the households will dramatically improve the measurement of water by micrometers.
FP060 (CCCCC Barbados)	<i>None.</i>
FP061 (DoE Antigua & Barbuda)	<i>None.</i>
FP062 (FAO Paraguay)	<i>None.</i>

FP063 (IDB Paraguay)	<i>None.</i>
FP064 (IDB Argentina)	<i>None.</i>
FP065 (WB Brazil)	<i>None.</i>
FP066 (WB Marshall Islands)	(a) Regarding equipment for the EWS, provisions are made to cover operation and maintenance expenses beyond the project implementation period, providing guidance to the key ministries (MoF, MPW) to ensure budget allocation for the maintenance of early warning and forecasting systems and for the existing coastal protection infrastructure.
FP067 (WFP Tajikistan)	<p>(a) The operation and maintenance (O&M) plan suggested in the funding proposal has not been complemented with a specific (matching) financing plan. The O&M plan should be accompanied by a matching financing plan for O&M equipment, particularly including O&M for at least another five years following the completion of the project. This financing plan should be included in the project document;</p> <p>(b) Without specificity regarding types of seeds and tree species to be promoted at the community level, the market response, gender response and environmental impacts should be studied for the respective products and incorporated in the project document;</p> <p>(c) Component 2 should be strengthened by committing to community-centric knowledge management and cross-learning activities; and</p> <p>(d) The World Meteorological Organization should be considered as a technical input provider in the project, given the production and dissemination of climate information services through the project.</p>
FP068 (UNDP Georgia)	<p>(a) Strengthen the Steering Committee by inviting the World Meteorological Organization (WMO) to be a member of the committee; and</p> <p>(b) Strengthen the coordination function by accepting the Ministry of Regional Development and Infrastructure as one of the project's executing entities.</p>
FP069 (UNDP Bangladesh)	<i>None.</i>
FP070 (WB Bangladesh)	<i>None.</i>
FP071 (WB Vietnam)	<i>None.</i>
FP072 (UNDP Zambia)	(a) Strengthen Component 2 by committing to increased efforts towards community-centric knowledge management and cross-learning activities; and



	(b) Ensure that the activities related to paddy production are within the river bank so as to avoid the need to exploit other sources of water (such as the groundwater).
FP073 (MoE Rwanda)	<i>None.</i>
FP074 (WB Burkina Faso)	<i>None.</i>
FP075 (ADB Tajikistan)	(a) The iTAP also recommends the Accredited Entity to submit to the Fund a finalized Gender Action Plan upon project fact-finding.
FP076 (ADB Cambodia)	<i>None.</i>
FP077 (ADB Mongolia)	<i>None.</i>
FP078 (Acumen Africa)	<i>None.</i>
FP080 (AfDB Zambia)	<i>None.</i>
FP081 (NABARD India)	<i>None.</i>
SAP001 (EIF Namibia)	<i>None.</i>

Annex XIII: Parameters for a project-specific assessment approach

1. The project-specific assessment approach applies to any funding proposal submitted under the Simplified Approvals process¹ and the following Requests for Proposals approved by the Board:
 - (a) A pilot phase for enhancing direct access;²
 - (b) A pilot scheme to support micro-, small-, and medium-sized enterprises;³ and
 - (c) A pilot programme to mobilize funds at scale.⁴
2. Entities submitting such funding proposals may include entities not yet accredited to the GCF, as well as accredited entities (AEs) who submit or have submitted funding proposals in relation to the pilot programmes referred to in paragraph 1 above which go beyond such AEs existing approved accreditation scope. In accordance with the initial no-objection procedure per decision B.08/10, a no-objection letter from the national designated authority (NDA) or focal point is required for all funding proposals for a project/programme submitted in this pilot. Due to the nature of this approach NDAs/focal points are not required to also nominate direct access entities submitting funding proposals under this approach.
3. Each entity will be capped at a maximum of three approved funding proposals.
4. Unless stated otherwise in this annex, the Secretariat will undertake an assessment of the proposed project/programme and the entity submitting the funding proposal in a manner consistent with all relevant GCF policies, and will also build on assessments previously undertaken by the GCF, where applicable. The Secretariat will augment its capacity by using external experts, third party organizations and/or service providers to support it in undertaking such assessments on its behalf.
5. The results of the assessment along with the funding proposal and assessment by the independent Technical Advisory Panel (iTAP) will be presented to the Board for a funding decision.
6. The Board will also retain its decision-making authority to select the entity or entities of the proposed project/programmes when considering the funding proposal.
7. The entity or entities submitting a funding proposal to the GCF under this approach will carry the same responsibilities as an accredited entity were it to submit the same funding proposals, and such responsibilities will be codified in legal arrangements similar to the template accreditation master agreement and funded activity agreements, as may be relevant to the approved project/programme.

¹ Decision B.18/06.

² Decision B.10/04.

³ Decision B.10/11.

⁴ Decision B.16/03.

Annex XIV: Progress report on the review of the accreditation framework

I. Introduction

1. This document presents a progress report on the review of the accreditation framework and development of potential other modalities for institutions to work with the GCF, in response to decision B.18/04, paragraph (a), wherein the Board decided to commence the review of the accreditation framework. For the purposes of the current analysis, all projects and programmes that have been approved since the first consideration of funding proposals by the Board in November 2015 through to 31 December 2017 are included. The analysis does not consider what has occurred to a project or programme after approval. An analysis of post-approval (i.e. signing of the Funded Activity Agreement, disbursements, implementation, monitoring, reporting, etc.) will be included in the full review to be presented at the twentieth meeting of the Board.
2. The full review of accreditation by an independent third party is expected to include a review of the accreditation framework and the process to operationalize it, as well as the broader scope of the partnership between the GCF and an Accredited Entity (AE), and consultations with stakeholders, and will be presented to the Board at a future meeting of the Board.

II. Programming

2.1 Approved proposals

3. Since the first consideration of funding proposals by the Board in November 2015 at its eleventh meeting and up to 31 December 2017, the GCF has approved 54 funding proposals from 24 AEs totalling USD 2.65 billion¹ to support projects/programmes to be implemented in 73 developing countries, including small island developing States, least developed countries and Africa.² This GCF funding will leverage an estimated USD 6.55 billion in co-financing, is expected to benefit 161.9 million people with increased resilience to climate change, and aims to reduce an estimated 1.147 billion tonnes of carbon dioxide equivalent.
4. In terms of geographic distribution, 39 per cent of approved projects are in Africa, 35 per cent in Asia Pacific, 19 per cent in Latin America and the Caribbean, 4 per cent in Eastern Europe, and 3 per cent multi-regional. Of the resources committed, 31 per cent is for adaptation projects, 40 per cent is for mitigation projects and 29 per cent is for cross-cutting activities. In terms of GCF financing allocated by sector: 50 per cent is for public sector projects/programmes and 50 per cent for private sector. By number of number of projects/programmes, 40 or 74 per cent are public sector, 14 or 26 per cent are private sector. The most common risk-level is Category B projects (30 projects or 56 per cent) and the most common size is Medium (23 projects or 43 per cent) followed by Small (16 projects or 30 per cent).
5. Direct access AEs account for 13 per cent of the total financing committed, whereas international access AEs account for 87 per cent. In terms of number of approved projects and

¹ Figure includes funding proposals approved in Euros. Exchange rate: EUR 1 = USD 1.19474313, from the United Nations Operational Rates of Exchange, effective at 31 December 2017.

One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion versus the 54 that have been approved totaling 2.65 billion.

² Further information on the GCF portfolio of approved projects and programmes is available at <http://www.greenclimate.fund/what-we-do/portfolio-dashboard>.

programmes, 26 per cent or 14 projects/programmes are approved by direct access AEs and 74 per cent or 40 projects/programmes are by international access AEs.

6. The GCF offers a diversity of financial instruments, including grants, loans, guarantees and equity. In terms of financial instruments, 44 per cent of total resources committed are as grants, 40 per cent as loans, 1 per cent as guarantees and 15 per cent as equity.

7. Table 1 below provides a further breakdown of the approved portfolio's focus against the GCF's results areas and financial instrument.³

Table 1: Number of approved projects that address GCF results areas by financial instrument (as at 31 December 2017)^a

GCF Results Area	Financial Instrument					Total
	Grants	Senior Loans	Equity	Grants and Senior Loans	Grants and Equity	
Energy access and power generation	3	3	2	6	3	17
Low emission transport	1	0	0	0	0	1
Buildings, cities, industries and appliances	2	0	1	4	1	8
Forestry and land use	5	0	1	0	1	7
Vulnerable people and communities	28	0	2	1	2	33
Health, well-being, food and water security	19	0	2	2	2	25
Infrastructure and built environment	14	1	0	3	0	18
Ecosystem services	13	0	0	0	1	14

^a This analysis was conducted for the 54 approved GCF projects. However, most projects target more than one result, which is why the total value exceeds 54.

8. Given the early stage of GCF's operations, the overall portfolio is quite diverse, and countries have availed themselves of the different financial instruments (56 per cent of financing approved is non-grant), financing sizes and environmental and social risk levels available through the GCF. Moreover, the portfolio is split almost evenly between the public and private sector. Twenty-four AEs have a total of 54 projects approved and these entities represent a wide-range of organizations including direct access national and regional entities, development banks, investment banks, equity funds, United Nations specialized agencies and non-governmental organizations. The strength of having such a wide-range of AEs working with countries to design and implement projects is that they provide not only greater choice, but also a diversity in the type of project that can be undertaken using GCF resources (e.g. micro-sized

³ One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs. The approved project (FP029 from DBSA) is included in this analysis to include all projects and programmes that have met the GCF requirements for funding.

grant award programme to smallholder farmers, business loan programme for small and medium-sized enterprises, etc.).

9. While the GCF has successfully approved a diverse portfolio to date, there are areas for improvement. International access AEs account for 74 per cent of projects approved and 87 per cent of total financing committed. It is not surprising that they have been early movers as they generally have more financial and human capacity, a longer history of implementing projects, extensive experience in designing climate change projects, and a broader reach than national or regional organizations. They also tend to have the capacity to implement larger projects/programmes with higher environmental and social risks and using non-grant instruments (see figure 4 below).

Figure 4: Approved projects by accredited entity, financial instrument, size and environmental and social risk-level (as at 31 December 2017)^a



^a Numbers shown in parenthesis represent the total number of approved projects/programmes. Values shown in USD are the GCF financing amount and do not include co-financing. Size categories are the total projected costs for the project or programme activity, inclusive of GCF financing and any co-financing. One approved project (FP029 from DBSA) has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totalling USD 2.637 billion.

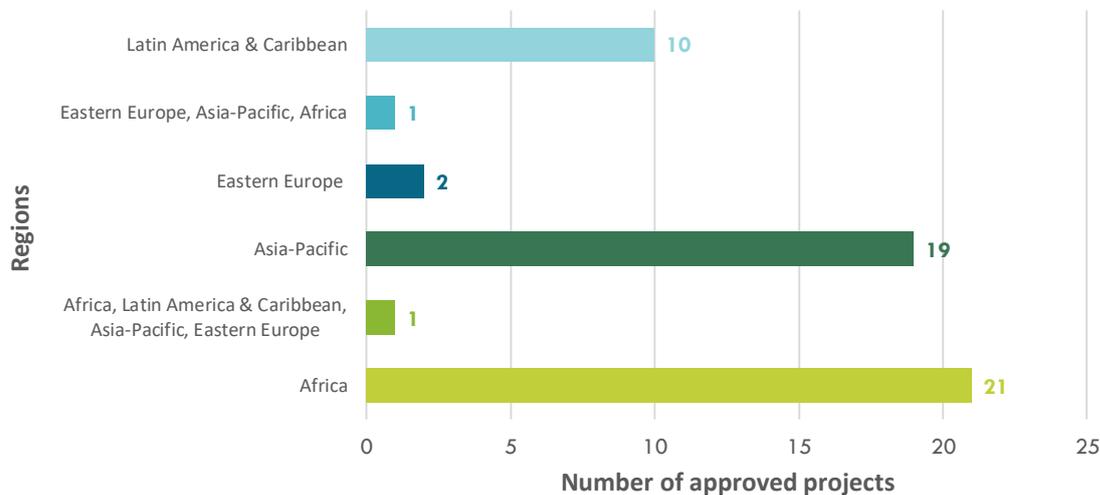
Abbreviations: Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFD = Agence Française de Développement, CAF = Corporación Andina de Fomento, CI = Conservation International Foundation, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, IDB = Inter-American Development Bank, KfW = Kreditanstalt für Wiederaufbau, MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, NABARD = National Bank for Agriculture and Rural Development, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, SPREP = Secretariat of the Pacific Regional Environment Programme, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

10. **Supporting financial and private sector entities through the direct access modality could open the door for countries to utilize a broader set of financial instruments, mitigate and manage various environmental and social risks levels, compared to minimal or no risk only, and financing size to channel climate finance directly to recipient countries.** XacBank LLC (XacBank), provides an example of a national commercial bank that is utilizing loans to create a renewable energy and energy efficiency market for micro-, small- and medium-sized enterprises in-country. This would also provide an opportunity to shift the paradigm in the way organizations conduct business by strengthening the fiduciary, environmental, social and gender systems and standards of financial and private sector entities in developing countries, while promoting the scaling up of private sector investment flows for climate finance. Furthermore, regional direct access AEs may be able to bridge the capacity gap seen in the accreditation scope between some national and international AEs.

11. It should be noted however, that micro and small-size projects can also be powerful catalysts for change and that these potentially lower environmental and social risk, grant-driven projects may be well-suited for local actors to further build their institutional capacity and manage larger funds. To channel larger amounts of funding in this direction, supporting entities that can manage projects under the RFPs for Enhanced Direct Access and Micro- and Small-Enterprises, as well as the Simplified Approval Process can serve accelerate funding through direct access entities for specific outcomes. To achieve these results would require a more nimble and efficient approach in the way the funding proposals submitted by potential entities under this approach and the entities themselves are assessed.

12. Figures 5 to 7 provide the breakdown by region, environmental and social risk level, and size category for all approved projects.¹

Figure 5: Number of approved projects by geographic region



¹ One approved project (FP029 from DBSA) has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion versus the numbers analyzed here which include all 54 approved projects.

Figure 6: Number of approved projects by environmental and social risk level

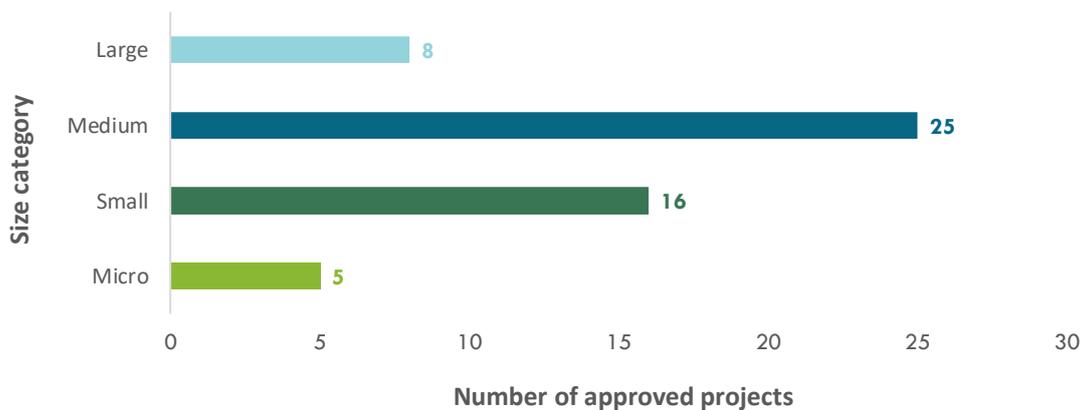
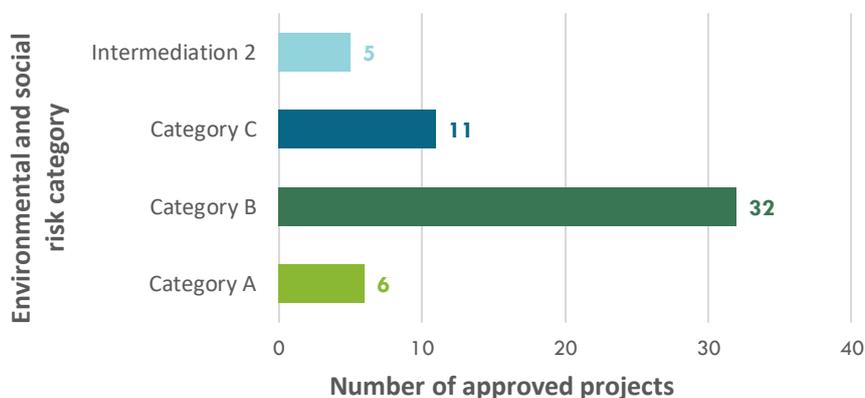


Figure 7: Percentage of approved projects by size category



2.2 Project and programme pipeline

13. In line with the strategic plan for the GCF, the Secretariat is working with AEs in order to update or develop entity work programmes aligned with country programmes.² Bearing in mind that the project pipelines provided by AEs in their EWP do not always overlap with pipelines indicated in the Country Programmes, the Secretariat continues its work to identify the gaps and to better align EWPs with Country Programmes through several activities. This includes improving guidance and support structures to ensure quality of Country and Entity Work Programmes. This is being done through iterative dialogues with countries and AEs, in particular, through structured dialogues as well as more focused discussions with AEs on the importance of GCF’s country-driven approach and how AEs need to align their potential pipelines to reflect country priorities.

14. The Secretariat is also trying to engage more upstream (examples are missions taken to Africa, Caribbean, Asia Pacific, and Eastern Europe in 2017), to provide the guidance to countries on potential direct access entities they could nominate that are a more strategic fit for delivering on their country priorities. This type of upstream engagement aims to convene NDAs and potential direct access entities, including from the private sector. It is anticipated that such engagement would yield better alignment of programming with country priorities because of the nomination of entities whose unique strengths and advantages would be better-positioned

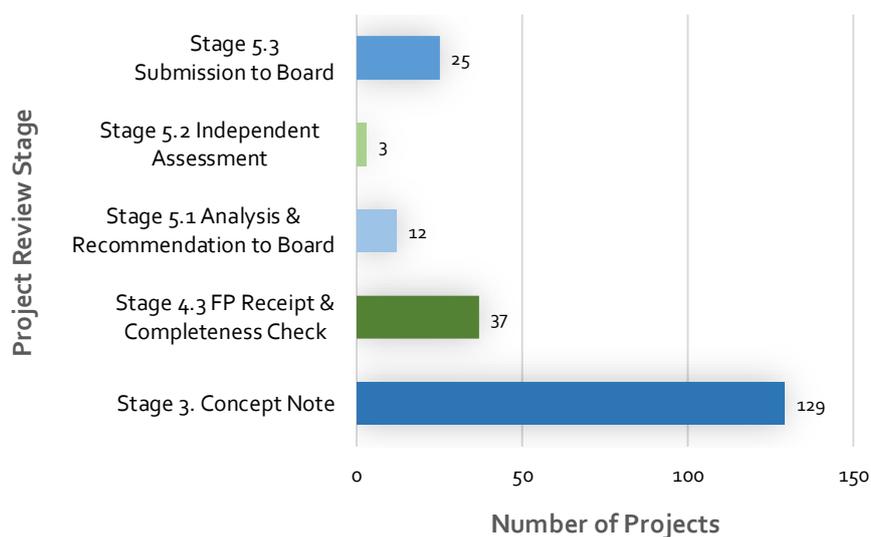
² The Secretariat, in line with decision B.13/10, paragraph (c), reported to the Board on the development of 46 EWP briefs in document GCF/B.19/35/Add.01 (general distribution) titled “Consolidated Country and Entity Work Programmes – Addendum I: Compilation of Country Programmes completed by countries” and related addenda GCF/B.19/35/Add.02, Add.03 and Add.04 (limited distribution).

to deliver on the country’s priorities. If this level of engagement could be instigated upstream, the downstream pipeline of projects/programmes would address the country’s priorities in a more coherent way through the alignment of country programming with entity programming activities.

15. As a part of the entity work programmes, AEs provide information on the potential pipeline of projects and programmes they seek GCF funding for. Forty-four AEs (75 per cent) have an active pipeline with the GCF, including 129 active concept notes and 67 active funding proposals that have been submitted.

16. As of 31 December 2017, a total of 245 funding proposals and concept notes have been submitted to the GCF. Out of these, 196 submitted funding proposals and concept notes or 80 per cent are active, whereas 42 or 20 per cent are inactive. Out of the active projects, 129 are concept notes. Figure 8 below provides a break-down of projects by GCF review stage.

Figure 8: Number of projects by GCF review stage



Abbreviations: FP = funding proposal.

17. Out of the 200 active submissions, 69 are funding proposals and 131 are concept notes:
- (a) Direct access AEs have submitted 45 funding proposals and concept notes (23 per cent), comprising 29 from national entities and 16 from regional entities (see figure 9 below);
 - (b) The total number of active submissions from international access AEs is 134 funding proposals and concept notes or 67 per cent of active submissions:
 - (i) Five international access AEs have submitted 54 per cent of the current active pipeline (72 funding proposals and concept notes) (see figure 10 below); and
 - (ii) International access AEs other than the Asian Development Bank, Food and Agriculture Organization of the United Nations, United Nations Development Programme, United Nations Environment Programme and International Bank for Reconstruction and Development and International Development Association (World Bank) have submitted 62 funding proposals and concept notes; and
 - (iii) The remaining 21 active submissions were submitted by an NDA or focal point without an AE.

Figure 9: Percentage of active project concept notes or funding proposals by access modality

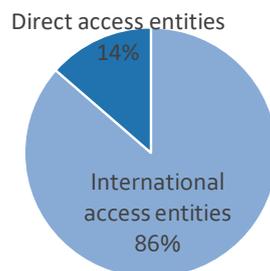
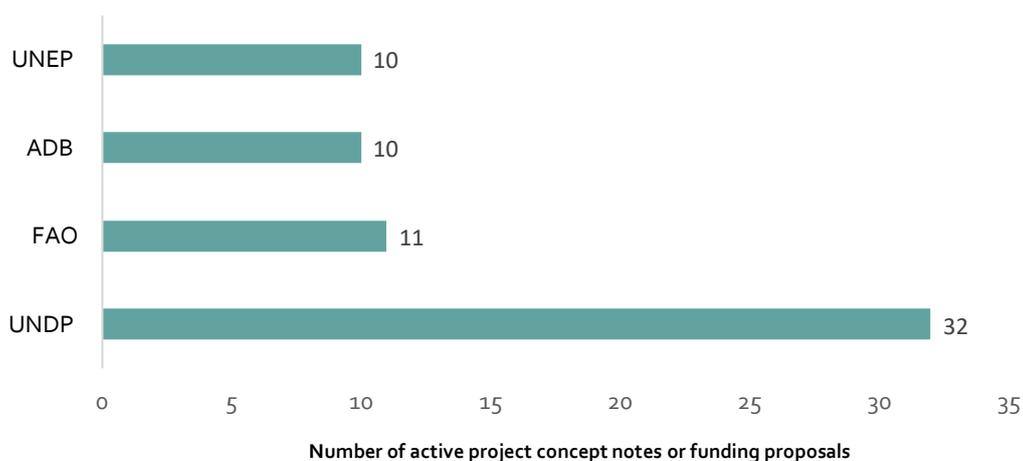


Figure 10: Number of active project concept notes or funding proposals by five top international AEs



Abbreviations: ADB = Asian Development Bank, FAO = Food and Agriculture Organization of the United Nations, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme and World Bank = International Bank for Reconstruction and Development and International Development Association.

18. Although currently 54 per cent of all AEs are direct access entities, the number of funding proposals and concept notes submitted through the direct access modality lags significantly behind those submitted through international AEs. This may be due to aforementioned reasons, including capacity constraints or lack of track record to manage larger size projects/programme activities, higher E&S risks, and different financial instruments; focus of activities on a particular country or sub-region; focus on specific thematic areas or types of activities; etc. Thus, one of the ways to increase the share of GCF resources channelled through direct access entities is to expand the pool and provide them with opportunities to bring one-off or a small number of projects only. Over time, with more direct access AEs accredited and accredited for higher accreditation types, the composition of the project/programme pipeline will change. However, it is important to examine ways to accelerate the accreditation process and to ensure that countries have the opportunity to explore all the options the GCF has to offer, taking into account a balance between upholding GCF standards through accreditation and project due diligence processes and accessing GCF resources through different modalities.

19. There are currently 13 AEs that have yet to submit a project to the GCF. Out of the 13, seven were accredited within the last two Board meetings (seventeenth and eighteenth Board meetings held in July and October 2017, respectively), and are in the process of developing their entity work programmes and potential pipeline for submission to the GCF. There are however, six entities that have been accredited for over a year and have yet to submit even a project concept. One of these entities is an international accredited entity that has been accredited for close two-years (21 months). The remaining six are regional or national direct access entities

and have been accredited for over a year (accredited at the fourteenth or fifteenth Board meetings in October and December 2016, respectively).

20. Given the lengthy process for accreditation, one approach to accelerate access to finance is for the GCF to encourage applicant AEs to prepare potential proposals so once an accreditation decision takes place proposals can be submitted with little delay. There are currently three national entities that are in the accreditation pipeline that have already submitted concept notes to the GCF. It may be useful to follow-up on this sample to see if the submission of project concepts while an entity is still in the accreditation process will lead to faster project approval upon accreditation.

21. Table 2 below provides information on the number of concept notes or funding proposals submitted by entities that have not been accredited. With a targeted call for projects, as evident in the response to RFPs thus far, a project-specific assessment approach is better-suited to allow for the GCF to engage with such entities, rather than through the accreditation process that focuses more on assessing the overall capability of an entity through its institution-wide systems to programme on a portfolio basis.

Table 2: Pipeline of active concept notes or funding proposals from non-accredited entities

RFP and SAP	Number of active concept notes or funding proposals submitted by non-accredited entities	Number of non-accredited entities that have submitted the concept notes or funding proposals
EDA	4	4
MSME	12	12
MFS	19	20 ^a
SAP	13	13
Total	48	49

^a One concept note was submitted jointly by an AE and a non-AE.

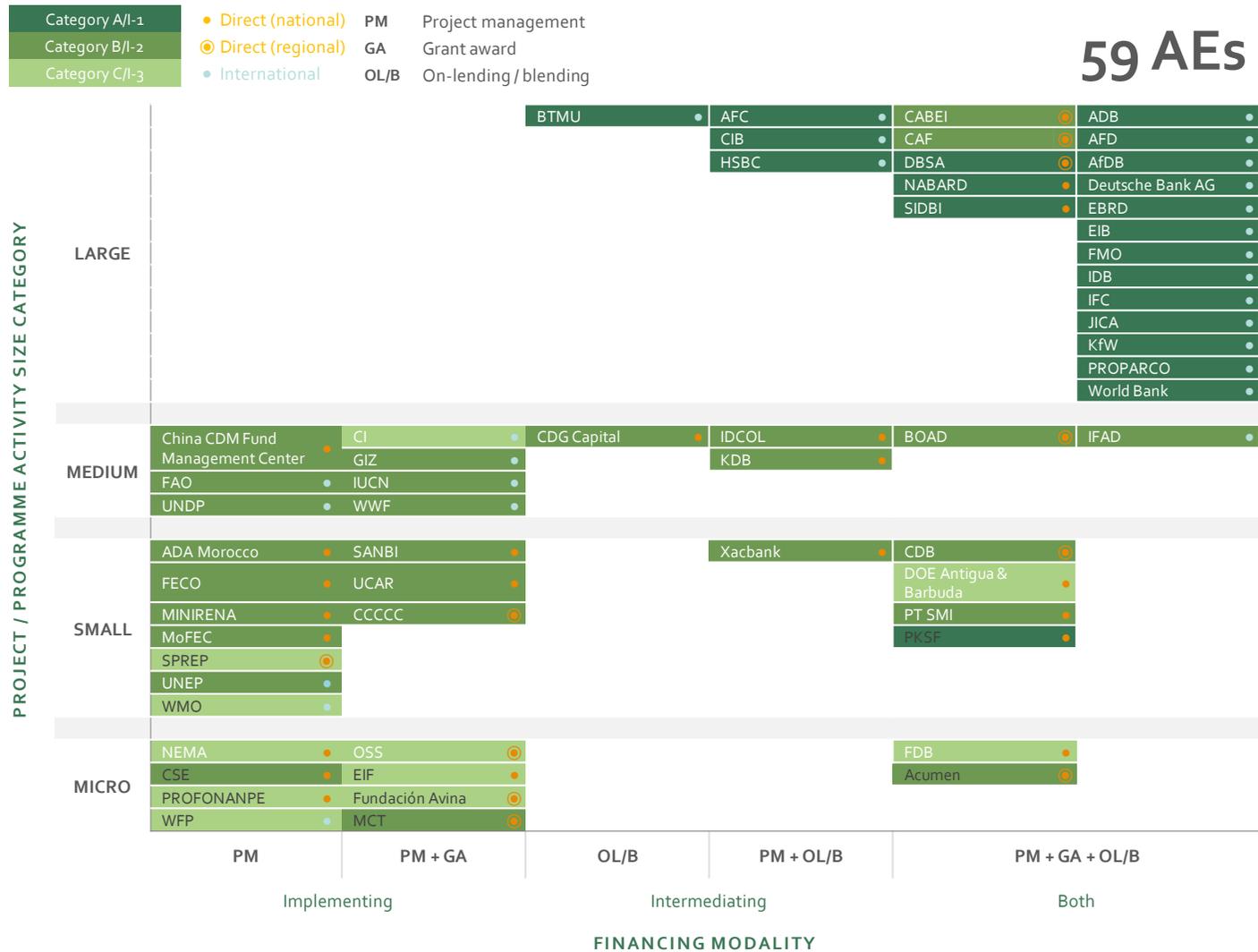
22. The RFP approach also demonstrates that while countries may have the desire to implement interventions within a particular area, they do not necessarily have an AE to work with that aligns with the content area and the necessary accreditation type. An accreditation process coupled with an RFP approach can help catalyze investment in a particular area, but matching the investment area, country and AE can be difficult. An option is to consider a project-specific assessment approach, whereby an entity that is suited for a particular project could go through an assessment focused on the entity's capability to undertake the particular project versus an entire institution-wide assessment that would provide the maximum scope for a project/programme activity within which the entity could operate on a portfolio basis in partnership with the GCF (e.g. the current accreditation process).

III. Partners

3.1 Portfolio of GCF accredited entities

23. Since the opening of the call for applications for accreditation on 17 November 2014 and up to 31 January 2018, 59 organizations, including national, regional and international, public and private sector entities, have been accredited as partners of the GCF. A mapping of the 59 AEs and their accreditation scope (e.g. financing modalities, size category and environmental and social risk category) are shown in figure 11 below.

Figure 11: Mapping of GCF's Accredited Entities and their accreditation scopes (as at 31 January 2018)



Abbreviations: Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, BOAD = Banque Ouest Africaine de Développement (West African Development Bank), BTMU = Bank of Tokyo-Mitsubishi UFJ, Ltd., CABEI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, CCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBSA = Development Bank of Southern Africa, Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, FAO = Food and Agriculture Organization of the United Nations, FECO = Foreign Economic Cooperation Office, Ministry of Environmental Protection of China, FDB = Fiji Development Bank, FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDCOL = Infrastructure Development Company Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, KDB = Korea Development Bank, KfW = Kreditanstalt für Wiederaufbau, MCT = Micronesia Conservation Trust, MINIRENA = Ministry of Natural Resources of Rwanda, MoFEC = Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia, NABARD = National Bank for Agriculture and Rural Development, NEMA = National Environment Management Authority of Kenya, OSS = Sahara and Sahel Observatory, PKSf = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SIDBI = Small Industries Development Bank of India, SPREP = Secretariat of the Pacific Regional Environment Programme, UCAR = Unidad para el Cambio Rural (Unit for Rural Change) of Argentina, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, WFP = World Food Programme, WMO = World Meteorological Organization, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC.

24. The GCF is also aiming to have adequate coverage by region and financial instrument. Table 3 below provides insight, from a regional perspective, on the coverage and range of options that a region has available to it when engaging the GCF. This information is important, because from the perspective of the countries served by the GCF, what is key to their capacity to use the GCF effectively are the number, quality and diversity of partners available to implement GCF projects/programmes.

Table 3: Range of options for partnering with the GCF per region: potential number of entities accredited in each type of capacity, cumulative (as at 31 January 2018)

Region	Fiduciary functions ^a					E&S risk category ^a			Size of an individual project or activity within a programme ^b	
	Project management ^c	Providing grants, including through grant award and/or funding allocation ^d	Blended finance			A	B	C	Micro and small sizes	Medium and large sizes
			Loans	Equity	Guarantees					
Africa	22	21	19	16	18	16	32	38	38	26
Latin America and the Caribbean	13	22	17	15	15	16	27	33	33	23
Asia-Pacific	13	20	19	17	18	14	30	37	37	26
Eastern Europe	8	13	11	10	11	12	18	21	21	18
SIDS	13	23	17	15	16	17	28	33	33	23
LDCs	22	21	19	16	18	16	32	38	38	26

Abbreviations: E&S = environmental and social, LDCs = least developed countries, SIDS = small island developing States.

^a Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

^b Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

^c The specialized fiduciary standard for project management is contained in annex II to decision B.07/02, available at <http://www.greenclimate.fund/documents/20182/319135/1.6 - Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd>. Project management underlying principles are: ability to identify, formulate and appraise projects or programmes; competency to manage or oversee the execution of approved funding proposals (including those financed through grants), including the ability to manage executing entities or project sponsors and to support project delivery and implementation; and capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal.

^d The specialized fiduciary standard for grant award and/or funding allocation mechanisms is contained in annex II to decision B.07/02, available at <http://www.greenclimate.fund/documents/20182/319135/1.6 - _Fiduciary_Standards.pdf/083cfe10-46f4-4a73-b603-8d7bfd2a35bd>. Specific capacities for grant award and funding allocation mechanisms of grants in the context of programmes require: transparent eligibility criteria and an evaluation process; a grant award decision and procedures; public access to information on beneficiaries and results; transparent allocation and implementation of financial resources; and a good standing with regard to multilateral funding.

25. From figure 11 above, it is evident that international access AEs predominantly accredited to implement projects of larger sizes, higher environmental and social risks and utilizing a wide-range of financial instruments. To date, there are only three regional direct access entities, CAF, CABEI and DBSA, that have a similar accreditation scope thus limiting the

kinds of activities countries can undertake through direct access entities. **This clear gap for national institutions, as well as for regional entities under the direct access modality, could potentially be overcome through the development of a partnership model – for example partnering a national commercial bank with an environmental non-governmental organization, or partnering a national public sector entity with a private sector entity.** Under such an approach, each organization's strengths could be optimized where one could handle channelling large volumes of funds while the other could assess, monitor and mitigate E&S risks, thereby allowing for the project/programme overall to be safeguarded in a manner consistent with GCF's fiduciary, environmental, social and gender standards.

26. Despite the broad accreditation scope of international access AEs, they have tended not to utilize their full scope. For example, 25 approved projects from international access AEs access only grants from the GCF, with seven of these being medium-sized projects with Category B (medium) environmental and social risks. On the other hand, the few direct access entities that have been accredited with specialized fiduciary standards for on-lending/blending have utilized their accreditation scope, such as with CAF and XacBank utilizing senior loans, and DBSA and Acumen utilizing equity financing.

IV. Pipeline of applicants

4.1 Implementing the prioritization of entities

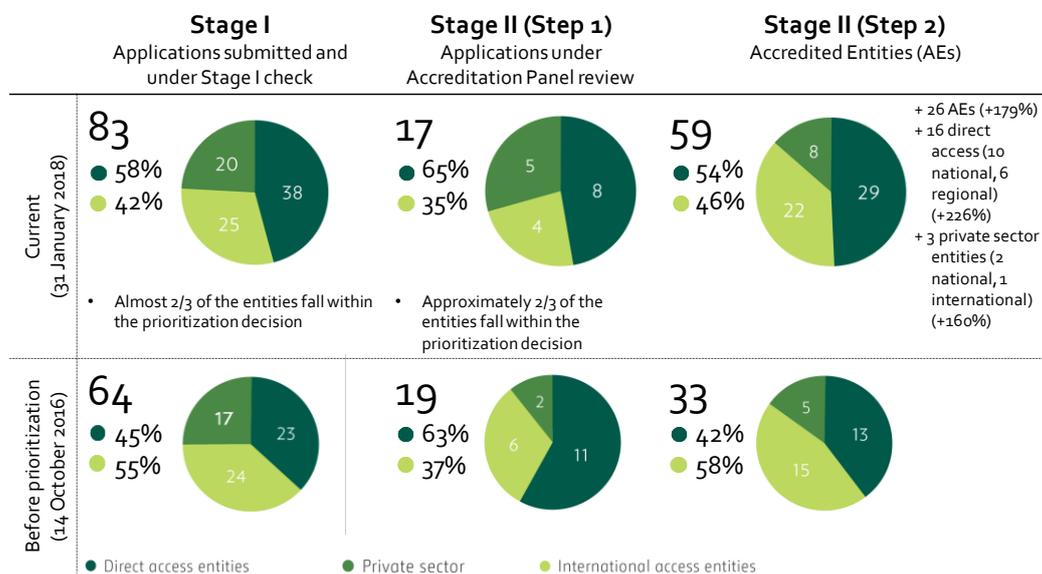
27. In decision B.14/08, paragraph (d), the Board decided that future accreditation decisions by the Board should aim to bring forward AEs that fill the mandate on balance, diversity, coverage and ability to advance the objectives of the GCF. To that end, in paragraph (d)(i) of the same decision, the Board requested the AP and the Secretariat to establish a prioritization of entities applying for accreditation, and prioritized in 2016 and 2017 a list of entities, not listed in any particular order of priority, including national direct access entities. In decision B.18/04, paragraph (c), the Board decided to extend the prioritization of entities applying for accreditation in accordance with decision B.14/08, paragraph (d)(i), until the end of the nineteenth meeting of the Board.

28. Additionally, with a view to increasing the efficiency of the accreditation process, the Board requested for the development of various policy documents on modalities for the use of third-party evidence, and potential fast-track accreditation related to the Adaptation Fund's environmental and social and gender policies for Board consideration, and a review of the fiduciary standards.

29. Since 14 October 2016 (date of decision B.14/08) and up to 31 January 2018, the application by the Secretariat and the Accreditation Panel of the Board decision to prioritize certain entities in the pipeline has resulted in the following, also shown in figure 12 below:

- (a) Fifteen of the 21 entities (71 per cent) that have completed Stage I since decision B.14/08, and up to 31 January 2018 are direct access entities. Five of the 21 entities are private sector entities; and
- (b) Fourteen of the 18 entities (78 per cent) that have been recommended by the AP following completing Stage II (Step 1) and that have been accredited by the Board in Stage II (Step 2) are direct access entities and two are private sector entities.

Figure 12: Comparison of the accreditation pipeline prior to the Board prioritization decision B.14/08, paragraph (d)(i) and current accreditation pipeline following implementation of the Board decision



4.2 Pipeline of entities seeking to become GCF partners

30. Document GCF/B.19/14 “Status of accreditation matters” contains information on the pipeline of applicants seeking to become GCF partners, particularly the number of entities, type of entity by access modality (e.g. direct or international access), indication of whether the entity is a public or private sector entity, and the various stages of accreditation the applicants are in. Additionally, the document contains a breakdown of direct access entities nominated by NDAs and focal points by geographic region, as well as on direct access entities that have been supported through the GCF Readiness and Preparatory Support Programme for institutional gap assessments and action plans to prepare for accreditation. The GCF’s current accreditation framework allows for any entity nominated by a recipient country to apply for accreditation. While the intention for such an approach is to encourage country ownership and country-drivenness, the current framework may inadvertently lead to a country nominating entities simply because they believe the entity will meet the GCF’s accreditation standards or nominating any entity that expresses interest. **To drive more country-driven programming, it may prove to be more effective if a country links the entities it nominates directly to its GCF Country Programme given that the role of the AE is to design and implement projects/programmes that address country needs and priorities in addressing climate change, including public sector and private sector entities.**

31. Currently, 24 out of 59 AEs (41 per cent) have projects approved,⁶⁷ 22 AEs (37 per cent) have submitted at least one concept note or funding proposal, and 13 AEs (22 per cent) have yet to submit a concept note or funding proposal. Aligning accreditation nominations or the accreditation consideration to either a portfolio of projects or a specific project may help countries accelerate their access to GCF finance. This may also help countries better identify organizations – whether they be direct or international access – that are better suited to manage an entire portfolio of projects/programmes over several years (an implementing entity or intermediary) versus those organizations that are better suited to undertake a specific project

⁶⁷ One approved project has lapsed as of 23 October 2017, thus the total number of funding proposals to be implemented is 53 projects from a total of 23 AEs totaling USD 2.637 billion.

or a particular component or outcome within a broader project/programme (an executing entity). Given that the role and responsibility of the AE is to undertake overall management, implementation and supervision of activities financed by the GCF (e.g. implementing entity or intermediary), the accreditation process is designed to assess capabilities and track record of entities in serving as implementing entities or intermediaries for climate finance activities, not executing entities.

Annex XV: Additional entities of other relevant funds for fast-track accreditation eligibility

I. Background

1. In decision B.08/03, paragraphs (e-g), the Board decided that entities accredited by the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Directorate-General for International Development and Cooperation (DG DEVCO) up to and including 17 October 2014 and in full compliance with those institutions' requirements, as contained in annex V to decision B.08/03 (annex V to document B.08/45), are eligible to apply under the fast-track accreditation process for the accreditation requirements of the GCF identified in the relevant paragraphs of the decision.
2. In decisions B.10/06, B.12/30, B.14/09, B.15/09, B.17/13 and B.18/05 the Board expanded the list of entities eligible to apply under the same fast-track approach, assuming all prerequisite criteria were met to include those under the GEF, the AF and DG DEVCO up to and including 9 July 2015, 9 March 2016, 14 October 2016, 17 December 2016, 6 July 2017 and 2 October 2017, respectively.
3. The entity presented below has been accredited by the AF since 2 October 2017.

II. Adaptation Fund

Table: The Adaptation Fund – national implementing entities^a

Name	Acronym	Country
Bhutan Trust Fund For Environment Conservation	BT FEC	Bhutan
Banque Agricole du Niger	BAGRI	Niger
National Environment Management Council	NEMC	Tanzania

^a The list of the national accredited entities of the Adaptation Fund is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity>>. See also Adaptation Fund Board decision B.30-31/15, available at <https://www.adaptation-fund.org/wp-content/uploads/2018/01/Decision-B-30-31_15_-Accreditation-of-BTFEC_Bhutan.pdf>; decision B.30-31/3, available at <<https://www.adaptation-fund.org/wp-content/uploads/2017/11/AFB-Decision-B.30-31.3-Accreditation-of-Banque-Agricole-du-Niger.pdf>>; and decision B.30/3, available at <<https://www.adaptation-fund.org/wp-content/uploads/2017/10/AFB.B.30.11-Decisions-of-the-30th-meeting-of-the-AFB.pdf>>.

Annex XVI: List of the measures being implemented by the Secretariat to improve the Readiness and Preparatory Support Programme

1. Develop a theory of change that better clarifies the outcomes and results of the Readiness and Preparatory Support Programme (hereinafter referred to as the Readiness Programme), in alignment with a unified vision of the programme.
2. Assess the feasibility of potential modalities of ex ante payments with robust ex post monitoring to directly support national designated authorities (NDAs)/focal points, considering the policy and legal implications and risk mitigation measures.
3. Propose revisions and/or improvements to the Readiness Programme to address the evolving and increasingly ambitious needs of countries and entities, taking into account the outcomes of independent evaluation of the Readiness Programme.
4. Strengthen guidelines to facilitate the accessibility of countries to readiness resources. This may include:
 - (a) Improving clarity of readiness application processes (e.g. proposal review and approval criteria) and timelines;
 - (b) Evaluating options to further streamline the readiness application process;
 - (c) Sharing concrete examples of good practices;
 - (d) Further reviewing the readiness guidebook and associated templates, in alignment with any improvement proposed to the readiness framework and access modalities (e.g. updating the Readiness Programme's guidelines based on the new theory of change);
 - (e) Translating the readiness guidebook into additional languages and ensuring more consistent communications and guidelines in multiple languages, including through up-to-date video presentations in multiple languages, where feasible;
 - (f) Strengthening the capacity of the Secretariat, including regional advisors, to improve support and outreach, and to strengthen regional presence;
 - (g) Providing technical/advisory support from the Secretariat, including through more regular in-country engagement, with a view to strengthening the capacity of technical experts at the national level to support countries' delivery of appropriate readiness results;
 - (h) Considering options to formally organize regional networks of NDAs and support their operation through regionally based expertise; and
 - (i) Enhancing knowledge-sharing and placing greater emphasis on peer-to-peer learning.

Annex XVII: Terms of Reference for the Independent Evaluation of the Readiness and Preparatory Support Programme

I. Aim

- (a) In July 2017, the GCF Board in decision B.17/07 requested the Independent Evaluation Unit of the GCF to undertake the independent evaluation of its Readiness and Preparatory Support Programme (RPSP).
- (b) This document lays out the terms of reference for the independent evaluation of the RPSP. This includes a brief background (Section II), evaluation objectives and criteria (Section III), and methods and timeline (Section IV) for the independent evaluation.

II. Background

- (a) The Governing Instrument of the GCF states:
 - 40. The Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.*
- (b) The objectives of the Readiness and Preparatory Support Programme are specified as:¹
 - (i) *Supporting the NDA or focal point in accordance with decision B.08/10, to engage with regional, national and sub-national government, civil society and private sector stakeholders with regard to the priorities of the Fund, taking a gender sensitive approach;*
 - (ii) *Developing strategic frameworks for national engagement with the Fund (including country programmes, in accordance with decision B.08/10 and decision B.07/03 (initial proposal approval process), building on existing strategies and plans, including low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans, and National Adaptation Programmes of Action. Annex XVII provides initial general guidelines for the preparation of country programmes;*
 - (iii) *Enabling regional, national and sub-national institutions to meet the accreditation standards of the Fund, including for the fast-track accreditation process in coordination with the NDA or focal point; and*
 - (iv) *Supporting the development of initial pipelines of programme and project proposals, including the identification of appropriate financial instruments, that are aligned with the objectives and initial investment framework of the Fund and that will support a paradigm shift to low-emission and climate-resilient development;*
- (c) The GCF Board has emphatically reaffirmed that

¹ Decision B.08/11

...Fund-related readiness and preparatory support is a strategic priority for the Fund to enhance country ownership and access during the early stages of its operationalization, and may help countries to meet the Fund's objectives;

- (d) A Readiness and Preparatory Support Programme is being administered by the GCF to provide resources for strengthening the institutional capacities of NDAs or focal points and direct access entities to efficiently engage with the Fund. Resources may be provided in the form of grants or technical assistance. All developing countries can access the RPSP and the Fund aims for a floor of 50 per cent of readiness support allocation to particularly vulnerable countries, including least developed countries (LDCs), small island developing states (SIDS) and African States.²
- (e) The RPSP provides (i) Up to US\$ 1 million per country per year. Of this amount, NDAs or focal points may request up to US\$ 300,000 per year to help establish or strengthen a NDA or focal point to deliver on the Fund's requirements. (ii) Up to US\$ 3 million per country for formulating adaptation plans. Within these funding caps, countries may submit multiple proposals over multiple years. Multiple proposals (including for adaptation planning) may be implemented within country by delivery partners, who may or may not be direct access or international accredited entities (see Annex III for an overview of the Readiness and Preparatory Support process). Guidance to countries requires that proposals requesting readiness support must be aligned with the Fund's Environmental and Social Safeguards and its Gender Policy. All readiness funding requests need to be initiated by developing country focal points or NDAs although funding itself may be managed by the delivery partner.
- (f) The Readiness and Preparatory Support Programme has undergone several changes since it was first approved by the GCF Board. Modalities for Readiness and Preparatory support were adopted by the GCF Board at its 5th meeting. Indeed, the RPSP is a very important programme. Understanding the effectiveness, and efficiency of the programme is a strategic need for the Board as it decides upon new allocations in 2018. This evaluation will also contribute to informing the GCF's replenishment when the current replenishment period ends. Annex II presents a listing of different and relevant Board decisions relevant to the Readiness and Preparatory Support Program.
- (g) A few of these decisions are especially significant: at the 8th meeting of the Board, an indicative list of activities eligible for direct support for National Designated Authorities (NDA) was approved. This indicative list has witnessed revisions and amendments subsequently at the 13th meeting of the Board (see Annex III for a list of indicative activities). At its 10th meeting, the GCF Board affirmed that the Readiness and Preparatory Support Programme is a mechanism to enhance country ownership.
- (h) The Conference of Parties (COP) has also noted the importance of the Readiness and Preparatory support programme and has requested the GCF secretariat to provide updates on several topics:
- Takes note of the progress achieved to date in the implementation of the readiness and preparatory support programme of the Green Climate Fund and stresses the importance of improving the approval process and timely disbursement of readiness resources to facilitate readiness programme implementation pursuant to Green Climate Fund Board decision B.11/04" (UNFCCC decision 7/CP.21, paragraph 17, Linked with UNFCCC decision 7/CP.20, paragraph 12)*
- (i) As of the 23rd of June 2017, a total of US\$ 80 million had been approved by the Board for the program and of this, US\$ 34.3 million had been committed with 87% of this

² The Readiness Guidelines, June 2017, Version 3.

committed for grants or technical assistance and the remaining spent on events such as structured dialogues, regional workshops and other readiness events, NDA visits and in-kind support to countries and direct access entities. US\$ 6.03 million has so far been disbursed in this program with the highest amount being approved for NDA strengthening and building country programmes.

- (j) As of May 2017, the GCF had engaged with 105 countries on 165 readiness requests. Of these nearly 60% (98) were for NDA strengthening and for advice on building country programmes and most requests are submitted from Africa, followed by the Asia Pacific. Of the approved readiness requests, 55% had entered the implementation stage.
- (k) The Readiness and Preparatory Support programme is expected to have five overall activity areas.³ These include (i) Strengthening country capacity; (ii) Engaging stakeholders in consultative processes; (iii) Realizing direct access; (iv) Providing access to finance; (v) Mobilizing the private sector.

III. Evaluation objectives and criteria

- (a) The Readiness and Preparatory Support Programme has been in implementation for approximately two years. Its portfolio is young and a considerable amount of this initial effort has been spent in formulating processes and procedures for the programme while also learning from experiences on the ground.
- (b) Recognizing this, the Independent Evaluation of the Readiness and Preparatory Support programme will be a learning-oriented assessment.

The objectives of the Independent Evaluation are to:

- (i) Assess the effectiveness of the Readiness and Preparatory Support Programme and assess the extent to which RPSP processes are fulfilling the intended objectives of the RPSP as contained in decision B.08/11 paragraph (i) as well as the objectives of country ownership⁴;
- (ii) Review approaches in the implementation of the Readiness and Preparatory Support programme with a view to making recommendations for improved alignment with the objectives of the RPSP; and recommend gains in effectiveness, efficiency, country ownership and sustained impact.
- (c) Since the RPSP has been changing rapidly, its different phases will be assessed during this evaluation. These phases are (i) the design and planning stage; (ii) the implementation phase; and (iii) the expected results from the programme.
- (d) The Independent Evaluation of the Readiness and Support Programme will use the evaluation criteria established by the GCF Board for the IEU.⁵ These include (relevance of) mandate; effectiveness of programme and processes; efficiency of processes; sustained impact, coherence in climate finance delivery; gender equity and inclusiveness; innovation and potential for paradigm shift; country ownership, potential for building scale and unexpected results (positive and negative).

³ The Readiness Guidebook articulates these and indicates that 'These are based on GCF Board decisions B.08/10/Annexes XII, XIII, XIV; B.08/10, Annex I; B.12/30/Annex I.'

⁴ As contained in decision B.10/10 paragraph (c) and (f) and the Guidelines for Enhanced Country Ownership and Country Drivenness decision B.17/21, annex XX

⁵ See Decision B.06/09

- (e) The evaluation will analyse these criteria customized to the RPSP. During the inception phase, questions will be parsed and sharpened. These questions will be finalized during the inception phase of this evaluation (see Section IV).
- (f) The Independent Evaluation of the RPSP will review trends with respect to constitution of the Readiness portfolio, changes in mandate, process, portfolio type, disbursement rates, processing times and implementation structures and procedures as well as impacts on final beneficiaries, country work programmes and GCF pipeline development.

IV. Methods and timeline

- (a) The Head of the Independent Evaluation Unit will be supported by an external team and a staff member to deliver this evaluation. An external team will be brought on through a procurement process following secretariat rules.
- (b) The timeline of the evaluation is divided into three phases:
 - (i) **Inception period (April 2018):** This will begin as soon as the team has been put in place. The team will parse the important questions that will be answered in the evaluation. The inception report will present the results from the initial consultations and retrospective theory of change exercise, fine-tune questions of the overall evaluation and contain protocols for the online perception survey and subsequent field visits, the protocols for process tracing and the protocols for focus groups and stakeholder conversations, organized by respondent type. The inception report will revisit the findings of the initial review, including an independent analysis by Dalberg Global Development Advisors, and also identify key stakeholders to be interviewed and will lay out the plan for country visits, and in-depth case studies for process tracing, while ensuring representativeness of the sample. It will include an explicit discussion of how case study countries were selected, which will strive to be representative of the portfolio while being cognizant of time and budget. Data from the proposals received by the secretariat will also be input into a database. A scoring scheme will also be devised and an evaluation matrix that maps questions asked of the evaluation to tools and methods of verification will be put together. Last but not least, the inception period will finalize the protocol for the portfolio analysis.
 - (ii) **Main evaluation phase (May-June 2018):** The second phase will be the main phase of the evaluation. The following activities will be undertaken: Expert interviews, Secretariat interviews, NDA interviews, delivery partner and FP interviews, interviews with Board members and alternate Board members, and with civil society organization (CSO) groups, focus group discussions as required, an online perception survey, process tracing and field visits (8-10) for identified cases and an analysis of the documentation and the readiness portfolio. Methods will be triangulated to ensure that inferences are robust. Documentation and evaluations of similar other programmes will also be reviewed for the meta-analysis and benchmarking element of this evaluation.
 - (iii) **Evaluation report (July 2018):** During the last phase of the evaluation period, a draft of the evaluation will be prepared. This will also contain a technical annex to discuss methods used for the evaluation. It will also provide recommendations for strengthening the RPSP going forward based on the findings of the evaluation. A draft will be circulated to the Executive Director and

key members of the CPD team including regional advisers. The final report of the evaluation with the technical annex will be presented to the Board.

- (c) The methods and tools for this evaluation will include:
- **A retrospective theory of change analysis** will help map the extent to which planned and actual activities are contributing to the overall vision of the Programme. It will also examine key changes during implementation and possible learning by the RPSP team. This will take place during the inception phase of the evaluation timeline.
 - **Review of key documents** including a mapping of all guidance to key criteria for the evaluation. The evaluation will review decisions from the GCF Board that are related to the RPSP including those that have implications for the RPSP (but may not be directly related to RPSP), guidelines, administrative processes, management structures and the results framework for the programme including policy documents, guidance documents, proposals, progress reports, board documents and any in-house or other assessments that may have been undertaken. The team will also review any strategy documents and the findings of the initial review of the RPSP.
 - **Key informant interviews:** Key stakeholders including experts, selected stakeholders at the GCF Board, representatives of other agencies that are doing similar work, selected country stakeholders including but not restricted to NDAs, delivery partners and focal points, members of the Readiness Working Group, members of the RPSP team and others inside and outside GCF. The readiness coordination mechanism will also be assessed. Inputs from other agencies will also be sought while considering that other agencies are also likely to have their own interests in mind while providing inputs.
 - **Focus group discussions** at key events such as scheduled structured dialogues or specific events held for accredited or to be accredited entities.
 - **Online perception survey:** The online perception survey will be directed at NDAs, focal points, delivery partners, CSOs and other stakeholders. It will seek to get an overview of the perception of the Readiness and Preparatory Support programme and will be confidential. A qualitative analysis will be undertaken of the comments in the responses and special or outlier comments will be followed up on, with follow up conversations for clarifications and explanation.
 - **Site visits and specific case studies for process tracing.** Specific countries will be identified for site visits and for process tracing specific questions that the evaluation team may want to address. Countries/cases will be chosen to ensure that there is adequate representativeness especially for stage of engagement with RPSP as well as country groups (SIDS, LDCs, Africa, others) and that each case has specific questions it will address. Site visits will also involve engagements with delivery partners (international and national) and potential delivery partners to document experiences related to effectiveness, relevance, coherence and country ownership. Since there are multiple delivery partners, this will also include a comparison of processes by different delivery partners. Since there are several challenges to making this comparison and drawing inferences, such as not having sufficient sample sizes to make robust conclusions, this comparison will be restricted to the main delivery partners. The method for selecting country case studies and delivery partners will be laid out in the inception report.
 - **Benchmarking and meta-analysis of international experiences.** Several organizations have similar programmes as the Readiness and Preparatory Support Programme. These include GEF, UNDP, UNEP, GIZ, the Multilateral Fund (for the implementation of the Montreal Protocol) and others. This part of the evaluation will

collect and analyse evaluations of these programmes and engage with staff and leads of these programmes to understand key challenges and strengths.

- (d) The evaluation report will present the background, methods, timeline and present key inferences. Inferences will be made using mixed methods and will triangulate using the approaches laid above. The evaluation report will also list all documents consulted, sources of information requested and those made available, list all the people consulted and the protocols used.
- (e) The overall timeline for the evaluation is shown in Table 2.

Table 2: Timeline for the Independent Evaluation of the Readiness and Preparatory Support Programme

Main Deliverables and Processes	Mar. '18	Apr. '18	May '18	Jun. '18	Jul. '18
Selection/contracting evaluation team	X				
Scoping field visit(s)		X			
Retrospective theory of change analysis		X			
Inception Report		X			
Presentation of progress report		X			
Stakeholder consultations/ Focus Groups/ Interviews		X	X		
Documentation review & portfolio analysis		X	X		
Perception online survey		X	X		
Meta-analysis		X	X		
Case studies/process tracing & site visits		X	X		
Quality at entry review		X			
Data analysis		X	X		
Presentation of key facts from Evaluation				X	
First draft report			X	X	
Final independent evaluation report					X

Annex XVIII: List of Indicative Activities eligible for Readiness and Preparatory Support

Source: Readiness and Preparatory Support Guidebook, Version 3.0, 15 June 2017

Indicative list of activities that can be supported by the Readiness and Preparatory Support Programme

Please note that these are indicative examples of activities for consideration. Countries are encouraged to formulate their activities based on their specific needs and as consistent with the objective of the GCF Readiness Programme. This list will be expanded and refined over time, based on learning and experience captured.

Establishing and strengthening national designated authorities or focal points

- Enabling national designated authority (NDA) coordination mechanisms with accredited entities to identify and prioritize national priorities for country programming;
- Strengthening institutional capacities so that the NDA or focal point can effectively fulfill its role;
- Developing national arrangements for promotion, consideration and facilitation of funding proposals;
- Funding for training of NDA or focal point staff members in areas relevant to the objectives of the GCF such as project and programme development, international procurement, accounting, oversight, planning and monitoring and evaluation processes;
- Supporting the ongoing engagement of stakeholders at national and subnational levels, including government, civil society and private sector actors;
- Engaging in and holding dialogues with existing and prospective accredited entities;
- Extracting lessons learned from other countries (including through exchange visits, workshops, etc.);
- Supporting the appropriate oversight of GCF activities at the national level; and
- Developing and disseminating informational and awareness-raising materials.

Strategic frameworks, including the preparation of country programmes

- Developing a country programme that identifies strategic priorities for engagement with the GCF, disseminating information and engaging stakeholders in the country programme;
- Identifying strategic investment priorities and taking stock of existing strategies, policies, and needs assessments, including intended nationally determined contributions, low-emission development strategies, nationally appropriate mitigation actions, national adaptation plans, and national adaptation programmes of action;
- Identifying programmes and projects that advance national priorities and align with the results management framework of the GCF, including support for ensuring an appropriate enabling environment for projects or programmes;
- Developing tools, methods and templates to scale up successful models through programmatic approaches and across geographies;
- In the context of country programmes, formulating concept notes, drawing on intended nationally determined contributions and other climate strategies and plans;
- Activities that would crowd in private and capital market financing for the implementation of country programmes; including providing institutional support to enhance the efficiency of the procurement and tendering processes; and
- Enabling private sector participation, including by supporting the preparation of preliminary studies, tender documents or advisory services for the establishment of public-private partnerships.

Support for accreditation and accredited direct access entities

- Raising awareness of the GCF accreditation process, fiduciary standards and environmental and social safeguards (ESS);
- Understanding the roles of existing institutions and identifying potential accredited entities;
- Conducting an institutional gap analysis of potential applicants against the fiduciary standards and ESS;
- Developing and implementing a personalized readiness and preparatory support plan that will support applicant institutions to address identified gaps to comply with the fiduciary standards and ESS (may include the development of new policies and procedures);
- Enabling lesson-learning from other institutions that have been through similar accreditation processes; and
- Building the capacity of accredited direct access entities in relation to the GCF activities, in areas such as ESS, the GCF gender policy and action plan, and monitoring and evaluation.

Formulation of national adaptation plans and/or other adaptation planning processes

- Countries are encouraged to indicate specific activities of direct relevance to adaptation planning, based on national context.

Annex XIX: An overview of the process for Readiness Support

Source: Adapted from Page 5 of *Readiness and Preparatory Support Guidebook, Version 3.0, 15 June 2017*



Annex XX: The IEU's three-year objectives and work plan

1. Overall objectives of the IEU are derived from the Governing Instrument. These include:¹
 - (i) Informing the decision-making of the Board, identifying and disseminating lessons learned, contributing to guiding the Fund and stakeholders as a learning institution, and providing strategic guidance;
 - (ii) Conducting periodic independent evaluations of the Fund's performance to provide an objective assessment of the Fund's results and the effectiveness and efficiency of its activities; and
 - (iii) Providing evaluation reports to the Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) for purposes of periodic reviews of the financial mechanism of the Convention.
2. The IEU's principal aims for the period 2017-2020 are summarized below. Objectives and activities associated with these aims are summarized in Table I.
 - (a) **Build the IEU and complete staffing:** A important objective for the IEU is to ensure that the IEU is adequately staffed so that it can deliver its work plan, including its overall learning and accountability objectives. Staff at the IEU will reflect the best standards in evaluative training, practice, theory and ethics. The IEU will be a well-managed unit. The IEU will also ensure that its vision and practices are adequately shared, internally and externally, and that the IEU's strategy, independent evaluation policy and procedures for functioning and governance are properly articulated (see Annex III).
 - (b) **Undertake and deliver high quality evaluations:** The IEU will undertake strategic high-quality performance, portfolio, thematic, country, programmatic and project evaluations that are identified by the IEU and are useful for the Board, the GCF Secretariat and the COP. ^{2,3,4} They will also serve as building blocks for fund-level evaluations that assess the effectiveness and efficiency of the GCF and will contribute to the replenishment process. The IEU will deliver at least four evaluations each year. Details of these evaluations are presented in Annex III. The IEU will also review the use of/ implementation of GCF's results-based framework and performance framework and provide recommendations to the Board. It will also support a learning-oriented real-time impact assessment (LORTA) window that will support real-time learning within the GCF through real-time assessments. ⁵
 - (c) **Build and deliver an evaluation-based learning, advisory and capacity strengthening programme:**⁶ The IEU's evaluation-based learning and capacity building

¹ Also, see Decision document GCF/B.06/Annex III

² Decision B.06/09/Annex III

³ Decision B.06/09/Annex III

⁴ All evaluations will be comprised of four phases: During Phase I, a pre-scoping exercise will be undertaken which will include a review of key documents and a field visit (if required). This will result in finalizing the terms of reference of the evaluation. In Phase II, an appropriate team will be put together (or assembled), consisting mainly of IEU staff in keeping with international best practices. Consultants will be pulled in (or contracted) especially during the early stages of the IEU's evolution (or expansion) when staffing may be a concern. Consultants will also be pulled in for specific thematic, sector or geographic expertise. Key outputs during Phase II will be a team with an IEU evaluation leader and an approach paper for the evaluation. In Phase III, engagement will occur with primary stakeholders, data collection, data analysis and document review. A draft evaluation report will be drawn up. Phase IV will include engaging with primary stakeholders to share emerging results, verify emerging conclusions and build sensitivity and an understanding of the conclusions. The draft will also be shared with evaluands for fact checking. At the end of Phase IV, the final evaluation document will be shared with the Board. After the evaluation is presented, dissemination and communication will be an important follow-up action.

⁵ Decision B.06/09/Annex III

⁶ Decision B.06/09/Annex III/23 and Decision B.10/05/Annex V

programme will respond to evaluation-related capacity needs of the GCF Board, Secretariat, accredited entities, NDAs, and other stakeholders in the evaluation and climate change space.⁷ The IEU will work towards ensuring that programmes and activities funded by the GCF maintain sufficient quality in terms of data, design and information to inform evaluations.

- (d) **Engage strategically to learn, share and adopt best practices in the climate change evaluation space:** The IEU will engage with key actors in the evaluation space and be at the forefront of evaluation practice and theory while collaborating with GCF stakeholders and involving them in the IEU's activities.⁸ It will adopt high quality methods and standards for evaluative evidence in the climate change space. Accordingly, it will build partnerships to leverage geographic presence, thematic expertise, and capacities to help with the IEU's other objectives in the context of capacity building, particularly with GCF partners, accredited entities, NDAs and focal points as well as other evaluation related staff in partner organizations. This will also contribute to building the IEU's niche and its reputation as a leader in the evaluation and learning space, which is synonymous with quality and credibility.

⁷ Decision B.06/09/Annex III/2 (a), 6, 7, 9, 16,19, 21, 22, 23 and B.10/05/Annex V/15

⁸ B.06/09/Annex III/10 and 11 and B.10/05/Annex V/ 5, 8, 9, 14, 15, 16

Table I: Aims, objectives and key outputs of the IEU's rolling three-year work plan

No.	Aim	Objectives	Outputs
1.	Build the IEU and complete staffing¹	1a. Ensure that the IEU is completely staffed to meet its objectives of accountability and learning. ²	<ul style="list-style-type: none"> • The IEU is fully staffed with an emphasis on building high quality evaluation and thematic capacity. • Terms of reference for the IEU's four work streams are widely disseminated and high functioning staff hired competitively at the IEU.³ • The IEU is well-managed and personal performance and professional development plans for all IEU staff are articulated. • An orientation package for new staff including processes and procedures is piloted and finalized.
		1b. IEU's policies and standards are well-articulated and understood.	<ul style="list-style-type: none"> • An Independent Evaluation Policy is produced. • Guidelines and standards are developed to reflect the policy. • Awareness is generated among GCF staff and NDAs, AEs and others to ensure this policy and set of guidelines and standards are properly applied.
		1c. Procedures and guidelines for the effective operation of the IEU are specified and IEU budgets and work plans are approved in a timely manner.	<ul style="list-style-type: none"> • The IEU's vision and strategy are finalized and shared with all IEU staff. • The IEU's governance guidelines and procedures to ensure the independence and effective functioning and operation of the IEU, in keeping with international best practices, is submitted to the GCF Board, and are updated as required.⁴ • A rolling three-year plan, budget and an annual work plan is presented every year to ensure certainty in planning and delivering high quality evaluations.⁵ • An IEU annual report is produced and disseminated every year, commencing in 2018.⁶

¹ Decision document GCF/B.06/Annex III "...the evaluation function should be located independently from other management functions" and Annex V to Decision B.10/05/(k) 'The Head of the IEU ...(is) responsible for leadership and management of the unit, including the authority to make appointments and manage staff of the unit.'

² Decision B.08/07/Annex IX and Decision B.10/05/(k)/Annex V

³ Decision B.16/07

⁴ GCF/B.06/Annex III

⁵ GCF/B.06/Annex III

⁶ B.06/09/Annex III

No.	Aim	Objectives	Outputs
2.	Undertake and deliver high-quality evaluations to the GCF Board		
		2a. Carry out strategic high-quality performance, portfolio, thematic, country, programmatic and project evaluations annually that are useful to the Board, the GCF Secretariat and the Conference of Parties and are able to provide an independent assessment of the Fund's operations. ⁷	<ul style="list-style-type: none"> The IEU will carry out at least four evaluations annually. Evaluations will depend on advice from the GCF Board. Other evaluations may also be identified depending on the accountability and learning needs of the GCF Board.
		2b. Undertake high quality <i>overall</i> performance evaluations of the GCF including (but not restricted to) an overall assessment of results, efficiency and effectiveness to inform the replenishment process. ⁸	<ul style="list-style-type: none"> The IEU will also undertake overall performance evaluations as required by its TORs.⁹ The IEU will also deliver the following at a date determined by the GCF Board: <ol style="list-style-type: none"> Provide evaluation reports to the Conference of Parties to the United Nations Framework Convention on Climate Change and the Paris Agreement for the purposes of periodic review of the Financial Mechanism of the Convention.¹⁰ An overall assessment of the Fund's results and the effectiveness and efficiency of its activities.¹¹

⁷ Decision B.06/09/Annex III

⁸ Decision B.06/09/Annex III

⁹ B.06/09/Annex III and B.10/05/Annex V

¹⁰ The Conference of Parties to the UNFCCC provides the following guidance on the function of the IEU: "The reports of the GCF should include any reports of the independent evaluation unit, including for the purposes of the periodic reviews of the financial mechanism of the Convention" (UNFCCC decision 5/CP19, annex, paragraph 20)

¹¹ B.06/09/Annex III: 'Should the COP commission an independent assessment of the overall performance of the Fund, the IEU would support the work involved in such assessment. An overall performance study would become a responsibility of the IEU, as has been the case with the Global Environment Facility (GEF) Evaluation Office since 2007.'

No.	Aim	Objectives	Outputs
		2c. Review of the results management and performance measurement framework is successfully completed and a real-time learning-oriented impact evaluation project portfolio is prepared.	<ul style="list-style-type: none"> • Provide recommendations based on international evidence and best practices for improving the GCF's results management framework and performance measurement framework.¹² • The IEU will support a real-time impact assessment (LORTA) window that will promote measurement of results and learning in real-time. In the pilot window, it will work with 4-6 projects that can effectively demonstrate this learning which will provide insights to the Secretariat in real time.
3.	Build and deliver an evaluation-based learning, advice and capacity strengthening program		
		3a. Ensure programs and activities funded by the GCF maintain sufficient quality in terms of data, design and information to inform evaluations.	<ul style="list-style-type: none"> • The IEU will build awareness on the uses of evaluations and strengthen appropriate systems/institutional and human capacity for evaluative evidence and evidence-based policies. • It will build and deliver customized workshops and dissemination products to ensure learning and uptake for this objective. The IEU will work closely with appropriate GCF staff, accredited entities, and other stakeholders in this regard. • The IEU will provide evidence-based recommendations on projects/programmes of activities to improve the ability of the IEU to provide quality evaluations of the Fund's activities. It will also work to ensure that they are reflected in funded activities agreements and proposals.¹³ • Furthermore, through LORTA, the IEU will support high quality data and assessments which will enable the GCF and its stakeholders to learn about and generate high-quality, credible evaluations that <i>measure attributable change</i> in GCF result areas. • The IEU will deliver a plan for capacity building and learning through evaluations at B.21.
		3b. Synthesize evaluative evidence from international experience and GCF related	<ul style="list-style-type: none"> • The IEU will build a database of evaluative evidence and synthesize learning through evidence gap maps and systematic reviews.

¹² GCF/B.06/Annex III

¹³ B.06/09/Annex III

No.	Aim	Objectives	Outputs
		<p>evaluations to benchmark and inform evaluations in GCF result areas, inform results and performance frameworks and help prioritize evaluations and evaluation-related research using state-of-the-art methods.¹⁴</p>	<ul style="list-style-type: none"> • The IEU will support systematic reviews and meta-syntheses of evaluative evidence relevant to GCF result areas.
		<p>3c. Provide inputs to improve the results-based framework and performance framework of the GCF.¹⁵</p>	<ul style="list-style-type: none"> • The IEU will conduct retrospective theories of change exercises to inform the results framework and the performance measurement framework of the GCF as well as the independent evaluation policy. • It will provide evidence-based recommendations by analysing reporting templates and engage with accredited entities and other stakeholders to provide evidence-based recommendations on designs to ensure high quality, credible reporting and evaluations. • The IEU will also work on developing state-of-the-art methods to inform and build evaluations led by the IEU. To this end, it will review international best practices in policy evaluation, methods and indicators and use them to attest and benchmark the quality of GCF self-evaluations conducted by the Secretariat and provide recommendations for the results management framework and the performance measurement framework.¹⁶
		<p>3d. Build capacity for undertaking evaluations, understanding standards and methods, within the Secretariat and GCF stakeholders and use innovative ways to ensure this.¹⁷</p>	<ul style="list-style-type: none"> • The IEU will build innovative products to ensure learning and the uptake of evaluative evidence. Accordingly, the IEU will train, share and build capacity for undertaking evaluations within the Secretariat and collaborate to build capacity and awareness within AEs and NDAs; • The IEU will build customized workshops, engage with other agencies and trainers to develop training modules and matchmake teams for programme and project evaluations. • The IEU will also build training modules and train GCF stakeholder staff including staff from intermediary agencies to bring them up to speed on state-of-the art methods for evaluating the Fund's activities.

¹⁴ Decision B.10/05/Annex V/ 14 and 15

¹⁵ Decision B.06/09/Annex III

¹⁶ Annex III to decision B.06/09

¹⁷ Decision B.06/09/Annex III/ 21, 23

No.	Aim	Objectives	Outputs
			<ul style="list-style-type: none"> • It will also collaborate with universities and other agencies to build these customized courses.¹⁸
		The IEU will be at the forefront of methods and climate science and establish the IEU as a global leader in the field. ¹⁹	<ul style="list-style-type: none"> • The IEU will support methods-related work relevant to the GCF's result areas and evaluations that harness complexity science and new measurement methods. This includes commissioning methods papers, briefs, and reviews, supporting knowledge hubs and supporting relevant conferences, workshops, methods labs and learning clinics.²⁰
4.	Engage strategically to learn, share and adopt best practices in the climate change evaluation space		
		4a. The IEU will increase its engagement with key actors in the international evaluation space and collaborate with GCF partners, accredited entities, NDAs and focal points and staff in partner organizations to leverage their presence and capacities to help with IEU's other objectives.	<ul style="list-style-type: none"> • Will use international engagements to deliver customized awareness building workshops on evaluation vision and techniques that showcase high quality evaluation methods and standards to GCF stakeholders; • Communication products conveying the key messages from evaluations; and, • Formal partnership agreements with networks and organizations to leverage their presence for capacity building amongst GCF stakeholders.

¹⁸ Incheon National University has already been in contact with the IEU. Yonsei University has also shown early interest. The IEU has also been in contact with the UNDP IEO, GEF IEO and Claremont University. Other institutions include the Evaluators Institute, IPDET, and UNISDR as well as relevant offices of accredited entities in which the IEU will build collaborative partnerships with, to build capacity amongst GCF stakeholders with regard to conducting and participating in evidence-based evaluations.

¹⁹ Decision B.10/05/Annex V/8

²⁰ GCF/B.05/03/ Annex I

Annex XXI: IEU's Annual Work Plan and Budget for 2018

1. The following annex is organized accordingly:
 - (a) Section I presents important elements of the IEU's work plan which includes its responsibilities and three-year work plan;
 - (b) Section II presents the budget for the IEU for 2018;
 - (c) Section III provides a brief on policies and procedures for the independent and effective operation of the IEU; and
 - (d) Appendix I provides an outline of the Independent Evaluation Policy.

I. IEU's 2018 Work Plan

3. Key elements of the work plan are as follows. A timeline is presented in Table II.
4. **Building the IEU:** In 2018, an important focus for the IEU is to build and strengthen the Unit. Main activities include:
 - (a) Staffing the IEU: Two new staff members to support the IEU's work streams will be hired in 2018.
 - (b) The Fund's Evaluation Policy will be presented for Board consideration at B.20
 - (c) Work on the vision and strategy of the IEU will continue and the IEU's vision, theory of change and strategy will be circulated at B.21. Terms of reference for the IEU's four work streams will be articulated in alignment with the IEU's vision and strategy document.
5. **Evaluation:** The IEU will undertake three key evaluation related activities in 2018. The purpose of these evaluations is to support the GCF Board by providing it with credible evaluation evidence on the performance of the Fund and to inform the Executive Director of the Secretariat. This work stream includes the following activities:
 - (a) Independent Evaluation of the Readiness and Preparatory Support Programme: At B.17, the GCF Board requested the IEU to lead the independent evaluation of the Readiness and Preparatory Support Programme. The overall aim of this programmatic evaluation is to provide the GCF Board and the Secretariat with constructive advice on programme performance and possibilities for new strategic directions.¹
 - (b) Real-time project assessments and lessons learnt review: The IEU will pilot a learning-oriented real-time impact assessments (LORTA) window of 4-6 projects/programmes. Projects will be selected on the basis of their proposed innovation previously available effectiveness evidence, and their potential for achieving scale. The IEU will assist projects in building high quality and useful baseline data, and qualitative and quantitative approaches to measuring impact as well as to supporting real-time learning for building evaluation systems. LORTA will demonstrate lessons learnt from these projects on how the project may *measure causal* impact of GCF investments. The first phase of this pilot consisting of advice and support ('formative project assessments') will commence in 2018. An initial lessons learning formative review of measurement systems and suggested approaches for credible measurement will be shared with the

¹ Decision B.06/Annex III, evaluations will 'provide the Board and COP an independent assessment of the Fund's operations. These evaluations will also be used as building blocks for an overall assessment of the Fund.'

Board in 2018. The selection of projects will be made in collaboration with the GCF Secretariat. The IEU will present a report on this pilot at B.21.

- (c) Lessons learnt on the existing application and use of GCF's results management framework. This work will be led by IEU and will be supported by two consultants. The GCF has eight board-approved result areas within 'adaptation' and nine board-approved result areas within 'mitigation'. Within them, there are a total seven result areas with indicators that are board approved (two result areas within adaptation and five result areas within mitigation, including for REDD+).² The Board has requested further development of these indicators from the GCF Secretariat. The IEU's review of the results framework will assess the extent to which there are appropriate systems and capacity including baseline data and quantitative and qualitative measurement systems to inform these result indicators. The review will summarize lessons learnt from an assessment of the capacity of entities on the ground. It will summarize the extent to which there is potential to measure the effects of the programs on the ground, given the current capacity of the implementing entities. This will be presented to the Board at B.21;³ and

6. **Evidence-based advice, capacity strengthening and learning:** The IEU's terms of reference require it to develop plans to ensure that the evaluations inform learning across the Fund.⁴ The IEU's plan for 2018 will include the following components:

- (a) The IEU will undertake a needs assessment and a capacity assessment of GCF staff, systems and secretariat as well as GCF entities to understand essential training and learning needs. This will inform a capacity strengthening plan that will be presented to the Board at B.21. The IEU will also adopt innovative and cost-effective methods including videos and webinars to prepare learning modules to communicate evaluation standards and methods across its stakeholders;
- (b) The IEU will use evaluation evidence from other agencies to inform the GCF's operations and programs. To this end, the IEU will consolidate evaluation evidence in low carbon, climate resilient pathways and GCF result areas. These will be shown in easy-to-read evaluation maps and will help the IEU and GCF learn from evaluation evidence from other programmes and agencies.⁵
- (c) The IEU will adopt state-of-the-art methods in its evaluations. The IEU will commission two high quality methods papers as part of a series to explore state-of-the-art methodologies and measurement that are important for climate change evaluation. The papers will focus on examining two approaches: complexity science, and uses of big and rapid data and their applications for evaluations;

7. **Build partnerships with evaluation offices and other agencies:** The IEU has adopted an ambitious agenda. However, it cannot achieve everything without leveraging the expertise, geographic presence and support of partners in the field. The IEU will build partnerships in a strategic manner.⁶ It will leverage the capacity and presence of evaluation offices⁷ and expert

² Decision B.08/07(a) and Decision B.08/08(a)

³ Decision B.06/9/Annex III

⁴ Decision B.06/9/Annex III and Decision B.10/05/Annex V

⁵ Some of these gaps have been identified in the Map of Maps produced by Campbell Collaboration and the International Initiative for Impact Evaluation (3ie). In 2018, the IEU will focus on synthesizing evidence in the area of forestry programs and/or evidence for incentivizing pro-environment behavior.

⁶ Decision B.06/9/Annex III and Decision B.10/05/Annex V

⁷ These are ongoing partnerships with evaluation offices of the WFP and CDB. Others expected include evaluation offices of the ADB, UNDP, DIME and NORAD.

thematic agencies⁸ to build capacity and strengthen thematic expertise amongst its own stakeholders namely GCF staff and staff of accredited entities, implementing agencies and others. It will:

- (a) The IEU will support learning workshops where staff of accredited entities, independent evaluation offices and other staff from GCF partner agencies will participate and learn more about good evaluation practices and methods.
- (b) Engage leading climate change and evaluation experts globally and build an active network which supports high quality evidence related capacity and joint-evaluations.
- (c) To ensure complementarity and coherence, the IEU will establish and support close relationships with the independent evaluation units of intermediaries and implementing entities of the GCF.⁹

⁸ These agencies include the HQAI, GGGI, CIFF, Behavioral Insights Unit, Global Data Pulse Lab, Campbell Collaboration and Collaboration for Environmental Evidence.

⁹ The IEU has been approached by the Climate Investment Funds as well as the Development Impact Evaluation Initiative unit of the World Bank in this regard.

II. IEU Budget for 2018

8. The 2018 budget for the IEU is shown in Table III. A large part of the budget covers activities that were requested in 2017 and budgets for which were approved in 2017 (September 2017). However, as a result of delays in approval (IEU's 2017 budget was only approved on the 21st of September 2017) and in procurement processes, these activities will be undertaken in 2018. The budget covers the following items:

9. Staff: The budget item covers the salaries of staff, including the Head of the IEU and a team assistant both of whom are in office. It is expected that the IEU will have eight staff members by the end of 2018 including one administrative assistant to support the work streams presented at B.16.

10. ¹ The IEU will undertake on average four evaluations at least every year. In 2018, the IEU will lead and manage three key evaluation activities. These include one programmatic evaluation (the readiness evaluation), project level real-time assessments (under its programme called 'Learning Oriented Real Time Assessments or LORTA) and a lessons learnt from the use of GCF's results framework. IEU staff will be responsible for delivering the three work streams of the Unit and will participate in IEU led evaluations, its capacity strengthening and advisory work.² Given the length of time it takes to hire good staff and for selected candidates to move to Songdo, the IEU will work with consultants to ensure that its work plan is not interrupted.

11. Consultants: The GCF Board approved consultants for the IEU in 2017. Because of the length of time that procurement takes, only one of these could be brought on in 2017. Two consultants will work to help produce the Independent Evaluation Policy (one is already on board and another one will come on board in February 2018). Two consultants will review the current application and use of GCF's Results Management Framework (one of whom came on board in January and another will be hired by March.) One consultant helps the IEU in communication and building content for its website. Now that procurement processes are finally concluding, the IEU will be able to undertake the work that was planned in 2017. In 2018, to ensure that IEU is adopting state of the art methods in its evaluations, the IEU will also contract two experts in short term consultancies to work on these methods. It is important to note that the IEU is in its initial stages and consultants are required to work closely with the head of the IEU to undertake preparatory work for evaluations and produce key outputs for the IEU. As the IEU staff come on board, the number of these consultants are expected to reduce.

12. Travel: In 2018, travel will be undertaken as part of three main evaluation activities that the IEU will lead. These include one programmatic evaluation (the readiness evaluation; which was planned for in 2017 but the search process could not be concluded), project level real-time assessments and review and lessons learnt (under LORTA) and lessons learnt from the current application of GCF's results framework. IEU staff will also train and strengthen capacity amongst the GCF Secretariat, accredited entities, implementing agencies and other GCF stakeholders to ensure that evaluations delivered to the GCF are of good quality. IEU will train 20 staff from GCF accredited entities in high quality evaluations. Travel budget accounts for their travel. To be cost-effective, the IEU will take advantage of opportunities and physical conference space provided by conferences planned by other agencies to train these staff.

13. Professional services: In 2018, the IEU will lead and manage three key evaluation activities. These include one programmatic evaluation (the readiness evaluation), project level real-time assessments and review (under LORTA) and a lessons learnt from the current use of GCF's existing results framework. The IEU will contract firms to work with it, to undertake the

¹ Decision B.16/07

² Decision B.16/07

evaluations. The IEU will also produce two evaluation maps (one of which was approved at B.16) that consolidate, illustrate and summarize evaluation-evidence in two areas relevant to the GCF.

14. Other costs: Other costs include costs incurred for producing videos, subscriptions to journals, and web-site related costs. Since the IEU is a new unit, a small budget amount for infrastructure and other set up costs has also been included.

Table III: Budget for the Independent Evaluation Unit (2018)

Category	2018
Staff costs*	1,583,667
Consultants/Intern costs	492,200
Travel	183,000
Professional Services	630,000
Other operating costs	65,000
Total	2,953,867

* This was approved in interim by the GCF Board in decision B.BM-2017/13.

III. Policies and procedures for the independent operation of the IEU

15. To ensure predictability and the ability to plan, the IEU conducted a survey of best practices amongst international organizations. Table IV shows the budgets for independent evaluation offices of five international organizations.

16. The IEU presented a discussion draft to the co-chairs for consideration titled 'Policies and Procedures for the Independence and effective functioning of the Independent Evaluation Unit' in July 2017. This document will be submitted to the Board for consideration at B.21.

Table IV: Budgets of select Independent Evaluation Offices

No.	Organization	Average Annual Evaluation Office budget (US\$)	Office budget percentages
1.	WB – Independent Evaluation Group (IEG)	33.6 million ¹	1.5 – 2% of overall budget
2.	GEF – Independent Evaluation Office (IEO)	4.75 million	A percentage of the annual financial work plan ²
3.	IADB – Office of Evaluation and Oversight (OVE)	6.8 million	1.5% of the IADB's administrative budget
4.	ADB – Independent Evaluation Department (IED)	11 million	1.7 – 1.8% of the ADB's budget
5.	UNDP – Independent Evaluation Office (IEO)	7.9 million. Additionally, the decentralized evaluation budget is \$ 18 million	1% of the organization's budget

Sources: 1: Caroline Heider, head of the Independent Evaluation Group of the World Bank; 2: Juha Uitto, Director and head of the independent evaluation office of the GEF; 3: Cheryl Gray, Director, Office of oversight and evaluation, Inter American Development Bank (IDB); 4: Vinod Thomas, ex- Director General of the Independent Evaluation Department of the ADB; 5: Indran Naidoo, Head of the Independent Evaluation Office, UNDP. The budgets were also discussed with the head of the IEU's advisory group.

Appendix I: An outline of the Independent Evaluation Policy

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- VII. Implementation of the Evaluation Policy
- a. Goals of the IEU
 - b. Building capacity at different levels
 - c. Requirements for accredited entities
- VIII. Ensuring uptake and use
- a. Using evaluations for learning for diverse audiences
 - b. Building capacity and advisory work
 - c. Presenting, disseminating, and communicating findings to internal and external stakeholders (including non-technical and low-capacity audiences)
 - d. Other innovative methods
- IX. Next steps: Building requirements, an operational manual, guidelines and translating guidance into action
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