



GREEN
CLIMATE
FUND

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

GCF/B.19/44

25 June 2018

Meeting of the Board

26 February – 1 March 2018

Songdo, Incheon, Republic of Korea

Agenda item 28

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Agenda item 1: Opening of the meeting

1. The Co-Chair officially opened the nineteenth meeting of the Board (B.19) at 9:18 a.m. on Monday, 26 February 2018.
2. The Co-Chair, Mr. Ayman Shasly, informed the Board that following consultations, the day that had been designated for the informal Board meeting (26 February 2018) was being converted, without precedent, into a formal meeting; B.19 would therefore be held from Monday, 26 February to Thursday, 1 March 2018.
3. The Co-Chair, Mr. Shasly, informed the Board that fellow Co-Chair, Mr. Ewen McDonald, had sent his apologies at being unable to attend as he had been appointed High Commissioner to New Zealand by the Australian government. Mr. McDonald sent his good wishes for B.19.
4. Mr. Shasly informed the Board that, in accordance with paragraph 8 of the Rules of Procedure of the Board, the Board was invited to elect a new developed country Co-Chair to replace Mr. McDonald. Following consultations within the developed country constituency, the constituency nominated Mr. Karsten Sach as Co-Chair. Mr. Shasly asked members of the Board (hereafter “Board members”) if there were any objections. Hearing none, it was so decided.
5. Mr. Sach was invited to join fellow Co-Chair, Mr. Shasly, at the Co-Chairs’ table.
6. Mr. Sach thanked Board members for electing him as Co-Chair. He noted that his tenure in the role would most likely be the shortest on record for GCF. The Co-Chair expressed thanks to the outstanding leadership of Mr. Shasly and Mr. McDonald and noted that the baton would now pass to new Co-Chairs, soon to be elected by the Board. B.19 had a big agenda with important policy items and a record number of funding proposals; Board members would need to adopt a very workmanlike approach.
7. Mr. Shasly explained that the decision to change the informal day to a formal day had been taken because of the exceptional agenda. The Co-Chairs wished to operate in a very efficient manner and would start promptly at 9 a.m. and finish at 6 p.m., irrespective of the status of the agenda. They asked for the Board’s support in keeping interventions short and working in a collegiate manner.
8. The Co-Chairs welcomed new Board members and alternate members of the Board (hereafter “alternate members”) as follows:
9. Mr. Lennart Båge, who replaced Mr. Lars Roth as Board member; Mr. Roth, who replaced Ms. Jessica Andersson as alternate member; Mr. Roelof Buffinga, who replaced Ms. Merete Villum Pedersen as Board member; Ms. Pedersen, who replaced Mr. Buffinga as alternate member; Mr. Karma Tshering, who replaced Mr. Evans Davie Njewa as Board member; Mr. Jeremiah Garwo Sokan, who replaced Mr. Tshering as alternate member; Mr. Paul Oquist, who replaced Ms. Diann Black-Layne as Board member; Mr. Jorge Ferrer, who replaced Mr. Oquist as an alternate member; Mr. Geoffrey Okamoto, who replaced Mr. Mitchell A. Silk as Board member; Mr. M.M. Kutty, who replaced Mr. Dinesh Sharma as Board member; Mr. Yusuke Sekiguchi, who replaced Mr. Munenari Nomura as alternate member.
10. The Co-Chairs said they looked forward to working with all Board members and alternate members, including the new members, during the year, at the end of which the terms of many members would end.
11. On behalf of the Board, Mr. Shasly expressed deep condolences to the Board member, Mr. Richard Muyungi, for the death of his father.
12. They also thanked the more than 250 accredited observers, accredited entities (AEs), national designated authorities (NDAs) and State parties in the GCF Headquarters overflow

room as well as those following the Board's discussions live via webcast, all of whom play important roles in delivering the mandate of GCF.

13. They expressed thanks to Secretariat management and other staff for their support in meeting preparations and their dedication and commitment to the work of GCF.

14. They welcomed the active observers Ms. Liane Schalatek, Ms. Lidy Nacpil and Ms. Alexandra Tracy. They noted that one active observer for private sector organizations (PSOs) would not be present at B.19.

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

15. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/01/Drf.02 titled "Provisional agenda", noting that an earlier version had been circulated to Board members on 3 January 2018 as document GCF/B.19/01/Drf.01 and the updated version (Drf.02) had been issued on 23 February 2018.

16. The Co-Chairs noted that the daily programme of work for the first day of the meeting, as prepared by the two new Co-Chairs, had also been circulated to the Board members and would be open for discussion following agenda item 3, "Election of Co-Chairs".

17. A number of Board members noted that they wished to raise objections to the proposed organization of work.

18. A Board member said that they wished to make a statement for the record prior to the Board's consideration of agenda item 3, "Election of Co-Chairs".

19. The Co-Chairs confirmed that the Board member would have the opportunity to make the aforementioned statement following adoption of the agenda.

20. In accordance with the Rules of Procedure, the Co-Chairs invited the Board to adopt the provisional agenda as contained in document GCF/B.19/01/Drf.02.

21. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the agenda.

22. 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
23. Following adoption of the agenda, the Co-Chairs opened the floor for comments.
24. A Board member stated for the record that the small countries in his constituency attached great importance to exercising their responsibility as members of the international community and that, in their view, the nomination of a representative of Nicaragua as Co-Chair of the Board lay in contradiction with that responsibility. Nicaragua had abstained from the Paris Agreement and called it a “path to failure”, and had often stood against the international community. While Nicaragua had recently joined the Paris Agreement, its position had not significantly changed since the Paris conference. While his government, the Government of Georgia, also considered that a much more ambitious approach was required to achieve results in combating climate change, rather than abstaining from the Paris Agreement, the government had forged an alliance under the United Nations Framework Convention on Climate Change (UNFCCC) with the Environmental Integrity Group (EIG), one of the most ambitious groups in climate change diplomacy. The Board member reiterated that their position was in no way related to the Latin American and Caribbean Group (GRULAC) or based on personal opinions of Mr. Oquist, who was a respected international diplomat. In recognition of their constituency’s duty as responsible members of the international community, the Board member would withdraw from the meeting during consideration of agenda item 3, “Election of Co-Chairs”.
25. The Co-Chairs took note of the comments and affirmed that the Board would respect the wish of the Board member to withdraw from consideration of agenda item 3.
26. The agenda item was suspended.
27. Following their election under agenda item 3, the new Co-Chairs, Mr. Båge and Mr. Oquist, opened the floor for comments on the proposed organization of work.
28. A number of Board members objected to the proposed organization of work and proposed that the agenda be followed according to the numbered order of agenda items. Two Board members said that failure to complete the agenda had become common practice at Board meetings and that the decision to lengthen the current meeting from three to four days should allow completion of the full agenda.
29. The Co-Chairs said that the proposed organization of work had been formulated to allow the Secretariat sufficient time to prepare for certain substantive items, in view of the recent conversion of the planned informal meeting day into the first day of the formal Board meeting.
30. A Board member suggested that each agenda item should be opened according to the numbered order and then individually deferred if further preparation was required at that stage.
31. Two Board members said that the organization of work as proposed by the Co-Chairs should be followed.
32. The Co-Chairs took note of the comments and proposed that the Board first consider agenda items 3 to 12, which were already in numbered order according to the proposed organization of work, and that organization of the remaining agenda items should be discussed once those items had been concluded.
33. The agenda item was closed.

Agenda item 3: Election of Co-Chairs

34. The Co-Chairs opened the agenda item and noted that, pursuant to paragraph 13 of the Governing Instrument for the Green Climate Fund, Board members were to elect from within their membership two Co-Chairs of the Board, with one being a member from a developed country Party and the other being a member from a developing country Party. For the 2018 term of the Board, the Co-Chairs had received the following nominations:

- (a) For the developed county constituency, Mr. Båge; and
- (b) For the developing country constituency, Mr. Oquist.

35. They invited the Board to elect the nominated Co-Chairs, Mr. Båge and Mr. Oquist as the Co-Chairs for 2018 with immediate effect and for the remainder of the period expiring on 31 December 2018.

36. Seeing no objections, the Co-Chairs noted consensus on the election of Mr. Båge and Mr. Oquist as Co-Chairs. They subsequently opened the floor for comments.

37. Board members warmly praised the outgoing Co-Chairs, Mr. McDonald and Mr. Shasly, for their excellent leadership and expressed gratitude to their respective teams of advisers and to the Secretariat for their valuable support throughout 2017, which had successfully become the “year of implementation” for GCF.

38. The agenda item was closed.

39. 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

40. The Co-Chairs opened the agenda item and drew the attention of the Board to the report of the eighteenth meeting of the Board (B.18) as circulated to the Board in 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”.

41. Noting that no comments on the report had been received from Board members during the review period since publication of the documents on 19 December 2017, they invited the Board to adopt the report of the eighteenth meeting of the Board as contained in documents GCF/B.18/24 and GCF/B.18/24/Add.01.

42. There being no comments or objections, the report was duly adopted.

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

43. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/33 titled “Decisions taken between the eighteenth and nineteenth meetings of the Board”.

44. As at 19 February 2018, the following decisions had been approved on a no-objection basis:¹
- (a) “Appointment of Member to the Private Sector Advisory Group of the Board”, deemed approved on 4 December 2017;
 - (b) “Terms of reference of the performance review of the members of the Technical Advisory Panel”, deemed approved on 26 December 2017;
 - (c) “Staffing budgets of the independent units of the Green Climate Fund”, deemed approved on 26 December 2017;
 - (d) “Accreditation of observer organizations” deemed approved on 9 February 2018;
 - (e) “Performance review of the members of the Accreditation Panel” deemed approved on 19 February 2018.
45. Two further decisions had been transmitted to the Board but had not been adopted owing to objections received from Board members to the proposed decisions:
- (a) “Terms of Reference for the Independent Evaluation of the Readiness and Preparatory Support Programme of the GCF”, which was included in the B.19 agenda;
 - (b) “Status of the fulfilment of funding proposal conditions: waiver of a condition in respect of FP021 (AFD Senegal Integrated Urban Flood Management Project)”, which was currently under consultation with the Secretariat and Co-Chairs.
46. The Co-Chairs invited the Board to take note of the information provided in document GCF/B.19/33 and opened the floor for comments.
47. A Board member highlighted that, in accordance with paragraph 43 of the Rules of Procedure, in case of unresolved objections to decisions proposed between meetings, the Secretariat was required to circulate all written comments and objections to Board members and alternate members. Noting that they had not received any information on the objections to the two decisions pending adoption, the Board member wished to know what measures the Secretariat would take to comply with the aforementioned rule in future.
48. The Co-Chairs requested the Secretariat to transmit the relevant information to the Board members forthwith.
49. 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

50. The Co-Chairs opened the agenda item and invited the Board to take note of document GCF/B.19/40 titled “Report on the activities of the Co-Chairs”.
51. There being no comments or objections, document GCF/B.19/40 was duly noted.

¹ During the presentation of decisions taken between meetings the following statement was omitted: As at 19 February, a proposed decision titled “Appointment of External Auditors” was also transmitted to the Board as document GCF/BM-2018/03 on 14 February 2018 with a no-objection period ending on 21 February 2018 (see document GCF/B.19/33 titled “Decisions proposed and approved between the eighteenth and nineteenth meetings of the Board”). During the review period, no objections were received. The decision was thus deemed approved as decision B.BM-2018/03 and was circulated to the Board on 21 February 2018.

(a) Updated 2018 Board work plan

52. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.19/39 titled “Updated workplan of the Board for 2018”. They invited the Board to take note of the document and adopt the draft decision contained in annex I to the document.
53. Two Board members requested that the updated workplan of the Board be adopted later in the meeting to allow for amendments based on any requirements identified throughout the course of the current meeting.
54. A Board member highlighted the need to ensure that all items of the workplan for 2018 were addressed during the year, noting with regret that the Board tended not to complete its agenda at any of its meetings. In order to cover the full workplan efficiently, they proposed that the total number of agenda items for 2018 be divided equally between the planned Board meetings.
55. Another Board member expressed disappointment at the proposal to defer to B.20 consideration of two matters, namely the administrative guidelines on Human Resources and the two-stage approval process, both of which were of utmost importance. With that in mind, they underlined the need for the Board to deal with outstanding items before adding new items to its workplan.
56. The Co-Chairs took note of the comments and invited Board members to put forward proposals on how to deal efficiently with the workplan for 2018.
57. A Board member suggested that Board meetings be extended to last longer than three days to allow sufficient time to complete all items on the workplan.
58. Noting the comment, the Co-Chairs invited the Board to take note of document GCF/B.19/39 with the proviso that the workplan would be further updated during the course of the current meeting and at upcoming meetings.
59. There being no further comments, document GCF/B.19/39 was duly noted.

Agenda item 7: Report on the activities of the Secretariat

60. The Co-Chairs opened the item and introduced two documents:
- (a) GCF/B.19/18 titled “Report on the activities of the Secretariat”; and
 - (b) GCF/B.19/18/Add.01 titled “Report on the activities of the Secretariat – Addendum: Status of accreditation master agreements and funded activity agreements”, transmitted on a limited distribution basis.
61. They invited the Executive Director, Mr. Howard Bamsey, to take the floor.
62. Mr. Bamsey expressed congratulations on behalf of the Secretariat to the Co-Chairs for their respective elections and looked forward to working together in the year ahead. In his opening remarks, Mr. Bamsey said he would mainly focus on the priorities for 2018 after highlighting a couple of points about the previous year. The Board had decreed 2017 as the year of implementation. At the beginning of 2017 there had been great concern at the low rate of approval of accreditation master agreements (AMAs) and other funding documentation; that had now largely been solved. There had also been concern that the implementation of approved projects was going too slowly, and that disbursements had also been too slow. At that time the total disbursements were around USD 11 million, while at the end of 2017 they were approximately USD 170 million. The intention was to disburse some USD 800 million in 2018, which would mean a cumulative total approaching USD 1 billion by the end of the year. Projects

with GCF funding of around USD 500 million were now under implementation; GCF had come a long way since last year.

63. However, while good progress had been made, Mr. Bamsey said there was still much to do to ensure GCF met its aspirations in terms of global impact in combating climate change.

During 2018 the Secretariat intended to focus on the following priorities:

- (a) Working intensively through GCF readiness activities to ensure countries were able to get the best value for money possible from GCF;
- (b) Several GCF requests for proposals (RFPs) had produced interesting ideas for single projects but from organizations that were not accredited. In view of this, the Secretariat was working to find new ways in which these could be brought forward. To this end, a priority was to reduce accreditation bottlenecks through a proposed new accreditation modality, namely a project-specific assessment approach that would be considered by Board members under a later agenda item;
- (c) The Secretariat would be working to substantially expand country engagement. Plans were already in place for structured dialogues in three regions by end of April, namely Latin America and the Caribbean, Africa, and Asia;
- (d) The Secretariat would continue to enhance the efficiency of internal systems; Board members were invited to explore details on these improvements with the Secretariat on the margins of the Board meeting. Specifically, these already included improvements to the GCF website and availability of country portals;
- (e) Given the increasing volume of project proposals and the fact that the Secretariat would never have the number of experts needed to effectively assess these proposals prior to submission to the Board, the Secretariat had been working to identify effective project review methods and build communities of practice. These would aim to deliver high-quality outcomes to the Board with sectoral experts within the Secretariat who would act as nodes within these communities of external experts. This would ensure that when funding proposals were submitted to the Board, Board members could be reassured that they had been through a world-class review process;
- (f) In view of the fact that 2018 would see the end of the initial resource mobilization period, the Secretariat was preparing for replenishment. This included the processes, the review documentation and the contacts that would be required for replenishment when and how the Board decided it wished to proceed;
- (g) Collaborating with other climate finance channels to improve coherence and reduce confusion about who did what, with practical outcomes in place before the twenty-fourth session of the Conference of the Parties (COP 24); and
- (h) Continuing to grow Secretariat staff capacity in line with the target of 250 recruits by the end of the year. To date, there were 157 staff, approximately 20 more than at the seventeenth meeting of the Board (B.17). Mr. Bamsey said he was confident of achieving the target for 2018.

64. The Executive Director noted with pleasure the appointment of Mr. Javier Manzanares as Deputy Executive Director, a post Mr. Manzanares had previously held ad interim. This appointment would enable a focus on providing an efficient and energetic service to Board members, alternate members and especially to countries.

65. Mr. Bamsey reminded Board members that a year earlier he had characterized the Secretariat as “fragile”; now a more appropriate description was “robust”. However, there was much more to be done to increase the tempo of improvements to enable the Secretariat to deliver more and more quickly, providing the professional service expected by the Board.

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

67. In the ensuing discussion, Board members expressed views on several different themes, including on the report itself and its annexes, Secretariat missions, structured dialogues, documentation, communications, the GCF website, and readiness and country programmes.

Secretariat report

68. Many Board members thanked the Executive Director and the Secretariat for the quality of the report and its timely production, with several acknowledging the development of the report structure to provide a greater focus on outcomes against goals in the 2017 Secretariat workplan compared to previous reports. A number commented on the performance improvements made by the Secretariat during 2017, including the achievement of many milestones. Several congratulated the new Deputy Executive Director, Mr. Manzanares, on his appointment. On a detailed point, one Board member cautioned that the table in the report showing staff diversity was not truly representative of diversity because, particularly as far as GCF Headquarters was concerned, many locally hired staff were Korean, and the Republic of Korea was classified as a developing country. On this point, another Board member said that the Secretariat should focus on increasing staff diversity in 2018.

Annexes

69. Concerns were expressed in connection with annexes covering the report of the Interim Trustee and the report on the status of the initial resource mobilization. A Board member stated that it was not appropriate for these to be attached to the Secretariat report and that, per earlier Board meetings, separate presentations were required. For example, the Interim Trustee report contained data on the first disbursements to AEs. Board members needed the opportunity to question the details presented. Furthermore, the title of the document was “Report on the activities of the Secretariat”. If, within this report, there was a Trustee report, this was a potential conflict of interest. The Secretariat report was not an information document as indicated by the document reference B.19/18. Regarding the status of the initial resource mobilization, while the Secretariat reported the information, this was not a Secretariat activity. The information was important to enable the Board to monitor the commitment authority. The Board member requested that these be agenda or sub-agenda items in the future. However, a third Board member underlined the importance of avoiding duplication in reporting. Another Board member acknowledged the annexes on key strategic issues such as readiness, RFPs and accreditation and said they would make interventions on these under the appropriate agenda items.

70. The Secretary to the Board explained that per a B.18 decision (B.18/12) the Secretariat had been asked to consolidate these information documents into a single document. The Co-Chairs requested the Secretariat to ensure these two items, the report of the Interim Trustee and the report on the status of the initial resource mobilization, were captured in the agendas of future Board meetings.

Secretariat missions

71. Several Board members commented on Secretariat missions. A Board member thanked the Executive Director for ensuring missions were now reflected as requested at earlier meetings. The Board member requested that the report on missions reflect lessons learned and asked for the results of these activities to be published on the GCF website. Furthermore, the Board member asked that the Secretariat highlight commonly faced issues across regions. This would be helpful for the Board when discussing country work programmes and the project portfolio. Another Board member asked that, in future, there be a more qualitative focus in

these reports. Two Board members requested that the Secretariat provide the Board with a list of missions at the beginning of the year. This would also be useful in avoiding a situation of a Board member attending an international event and then finding members of Secretariat staff there, without having been aware in advance. Furthermore, one Board member expressed surprise at a sudden mission to the Caribbean after the natural disaster there in 2017 as it risked giving the impression that GCF was engaging in disaster relief. The need to have advance notification that Secretariat staff were visiting the countries of Board members was echoed by another Board member.

Structured dialogues

72. Several Board members highlighted the importance of regional structured dialogues. One Board member noted that they provided excellent opportunities to better understand the needs of NDAs. The Board member commended the change in the way structured dialogues were designed, which would help to ensure more strategic outcomes. Another Board member requested that the Board be informed of dialogues in advance so that they could get involved; without sufficient advance warning Board members faced practical issues, such as the time taken to obtain visas where there were no embassies in the country in question. The active observer for civil society organizations (CSOs) requested more opportunities for civil society to engage fully in structured dialogues, while a fourth Board member requested that the website contain more information on structured dialogues. Another said that the outcomes of the dialogues were not covered in a sufficiently meaningful way and that this was an area for improvement. A fifth Board member requested that Eastern Europe be given due consideration in the planning of structured dialogues with support on an ongoing basis, not just as a one-off event; there were several particularly vulnerable countries in this region.

Documentation

73. A number of Board members commended the Secretariat for improvements in timely document distribution to the Board, although one noted that new versions of documents were still being distributed, leaving insufficient time to digest thousands of pages.

Communications strategy

74. Two Board members observed that there was still no communications strategy and expressed concern at the message this was sending to the outside world.

GCF website

75. While acknowledging improvements, two Board members said that the GCF website was still not sufficiently functional, especially for those unfamiliar with GCF. One advised the Secretariat to look at the World Trade Organization website for guidance. They also requested that a long-standing issue be addressed urgently by the Secretariat, namely the provision of Board documents in a Word document format, as PDFs were difficult to deal with.

Readiness and country programmes

76. While there had been progress during the year, one Board member said there was considerable room for improvement.

77. As well as highlighting continuing delays in readiness activities, another underlined the importance of the Secretariat in ensuring coherence between the messages from Headquarters staff and regional GCF consultants.

78. Regarding country programmes, one Board member noted that while the numbers looked positive, it was important not to confuse quantity with quality. Furthermore, they needed to be tailored to each country and aligned with nationally determined contributions (NDCs).

Transparency

79. The active observer for CSOs, requested that the Secretariat increase transparency by including an annex of the 30 shortlisted concept notes for the mobilizing funds at scale (MFS) RFP.

80. The Co-Chairs asked the Board if they could take note of the documents.

81. 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".

Welcome for new staff

82. On the final day of the Board meeting, new Secretariat staff members were invited into the boardroom and were warmly welcomed by Board members. The Co-Chairs noted that there were now 56 nationalities represented at GCF.

83. A Board member observed that two years earlier there were more Board members than Secretariat staff; now the situation had been completely reversed.

84. On the second day of the meeting, the Co-Chairs invited a representative of the Secretariat and a representative of the Interim Trustee to make presentations.

Status of initial resource mobilization

85. The representative of the Secretariat updated the Board on the status of the initial resource mobilization. As at 31 December 2017 total cash and un-encashed promissory notes amounted to USD 3.38 billion and USD 2.06 billion, respectively, for a total of USD 5.44 billion. Cumulative funding decisions as at that date amounted to USD 3 billion. Thus, the total amount of available resources for funding decisions and hence the commitment authority, amounted to USD 2.44 billion as at 31 December 2017.

86. In 2018 the total projected additional commitment authority was estimated at USD 1.62 billion. This comprised USD 1.07 billion in promissory notes, USD 0.45 billion in cash and USD 0.1 billion in loans. The total commitment authority available would then be USD 4.06 billion. The USD equivalent for 2018 receipts was based on the reference exchange rates established for the High-level Pledging Conference in November 2014.

87. In terms of cash, as noted in paragraph 85, GCF had USD 3.38 billion as at 31 December 2017. Additional cash inflows available for disbursement in 2018 were estimated at USD 1.2 billion.

88. The Co-Chairs noted that the message for the Board was that it was on safe ground to approve projects and programmes.

89. They invited the representative of the Interim Trustee to give a presentation.

Green Climate Fund Trust Fund financial status report

90. The representative of the Interim Trustee provided the following report:

91. The Interim Trustee provided financial reports to the Board, through the Secretariat, on a quarterly basis. These reports were used by the Secretariat as inputs to further reporting they

conducted on the initial resource mobilization, operational, and other issues. Real-time information from the Interim Trustee was also available on the fitrustee.worldbank.org website, which shows contributions signed, amounts paid and transfers to AEs.

92. The Interim Trustee had signed contribution agreements and arrangements with contributors and received USD 5.7 billion in the form of grants, capital and loan contributions, in accordance with the standard provisions for such agreements adopted by the Board.

93. A few notable points from the status report:

- (a) The first drawdown of a loan contribution was made (USD equivalent 341.6 million from France);
- (b) The first payment in respect of a reflow amount was received from an AE;
- (c) Funds held in trust and available for transfer amounted to USD 5.4 billion (two thirds in cash/investments and one third in promissory notes). With USD 3.0 billion net approvals reported by the Secretariat, this left USD 2.4 billion in remaining commitment authority;
- (d) Cumulative cash transfers to date for projects and fees amounted to USD 155 million, representing over double the amount reported in the previous financial status report;
- (e) Investment income earned to date on the Green Climate Fund Trust Fund (GCF Trust Fund) balances amounted to almost USD 50 million; this amount was credited to the GCF Trust Fund and became part of the amount available for allocation by GCF; and
- (f) Finally, cash transfers to AEs were made solely based on written instructions from the Secretariat. The amounts for projects and fees were therefore those agreed between GCF and the respective entities and communicated to the Interim Trustee.

94. The Co-Chairs opened the floor for comments and requested that the Interim Trustee inform the Board on the cost of its services to GCF.

95. A Board member raised several questions regarding the report:

- (a) In table 1, when describing cash, what was the difference between grant contributions, capital and loans;
- (b) What was the 1.8 per cent interest that was referenced;
- (c) A figure of USD 33,700 was reported, was this the total return on the investment of cash in GCF; and
- (d) In table 4, why was there a disparity in the fees from 0.4 to 10 per cent?

96. In response to the question about the types of contributions received, the representative of the Interim Trustee, reminded the Board that the GCF policies for contributions provided for contributions in the form of grants, capital and loans.

97. In response to a question about the costs of Interim Trustee services, the representative of the Interim Trustee stated that costs were approximately USD 1 million per year, comprised mainly of investment management fees on the GCF Trust Fund balance, calculated at 3.5 basis points (3.5 hundredths of a per cent) on the average annual balance in the GCF Trust Fund.

98. The representative of the Secretariat responded to a question regarding AE fees, stating that this meant that fees for public sector AEs were from 0 to 10 per cent and usually between 7 and 10 per cent, while private sector fees were negotiated on a case-by-case basis.

99. A Board member requested further confirmation of the commitment authority.

100. The representative of the Secretariat stated that GCF had committed USD 2.996 billion out of USD 5.4 billion available, so USD 2.443 billion was available as at 31 December 2017.

101. 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

102. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/21 titled “Reports from Board committees, panels and groups” and its addenda: Add.01, Add.02 and Add.03. The four documents in total contained reports from the following:

- (a) Investment Committee (IC);
- (b) Private Sector Advisory Group (PSAG);
- (c) Risk Management Committee (RMC);
- (d) Ethics and Audit Committee (EAC);
- (e) Accreditation Committee (AC);
- (f) Accreditation Panel (AP); and
- (g) Budget Committee (BC).

103. They invited the Board to take note of the information provided in the reports of the respective committees, panels and groups, and opened the floor for comments.

104. A Board member welcomed the new and returning members of the AP, for which they understood recruitment had been finalized the previous week. Recalling decision B.11/10 paragraph (a) and B.12/30 paragraph (d), the same Board member expressed concern that, two years after the adoption of the aforementioned decisions, no consultant had yet been recruited to establish a baseline methodology on the overall portfolio of accredited entities despite the statement in document GCF/B.19/21/Add.02 that recruitment of the consultant was to be finalized in February 2018. Highlighting that the first round of re-accreditation would need to be undertaken within the following two years, the Board member requested the AP to advise when the recruitment of the required consultant would be finalized. They also requested a legal opinion from the Secretariat on whether it would be possible for entities to be re-accredited if the baseline methodology were not finalized in the following two years.

105. The chair of the EAC presented a summary of the report contained in document GCF/B.19/21/Add.01, and highlighted that the committee had met a total of 56 times since its establishment.

106. The coordinator of the RMC said that the committee had faced difficulties in establishing quorum at its meetings because it still lacked one member from the developing countries constituency; they therefore invited Board members to come forward as candidates to join the RMC and asked the Co-Chairs for assistance in completing the committee’s membership. Since B.18, the RMC had revised the risk management framework (RMF) and circulated a revised set of questions and answers to the Board; further questions from the Board and the Secretariat were welcome. With regard to its upcoming work, while the RMC was prepared to accept the proposal contained in document B.19/39 to defer Board consideration of risk-rating models to the twenty-first meeting of the Board (B.21), it strongly advised against any further deferral of the matter.

107. The Co-Chairs took note of the comments and invited the Secretariat to respond.

108. A representative of the Secretariat said that while the AP had initially sought to recruit an independent consultant to carry out the work on baselines, it had subsequently decided that a consulting firm would be required to carry out the task. The AP would finalize its recruitment of that firm within the coming months and would present a progress report of its work on

baselines at the twentieth meeting of the Board (B.20). Regarding the legal opinion requested by a Board member, the AP intended to further discuss and inform the Board of the planned weight of different factors in the future re-accreditation process, taking into account the baseline methodology.

109. The co-chairs of the PSAG expressed gratitude to the Government of Denmark for having hosted a PSAG meeting from 6-7 December 2017 in Copenhagen. The PSAG had submitted two documents for consideration by the Board at its present meeting under agenda items 22(a) and (b), respectively, and would submit a further two documents for consideration at B.20: one on private sector engagement in adaptation and the other on forestry-related results areas. The PSAG Co-Chairs highlighted the recommendations made by the PSAG to GCF in document GCF/B.19/21 and noted that a meeting of the PSAG would be held back to back with the current Board meeting, thus allowing the PSAG to meet formally with the AP, AC and accreditation specialists in the Secretariat as well as informally with Board members in line with one of the above-mentioned recommendations.

110. There being no further comments, 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

111. The Co-Chairs opened the agenda item and introduced document GCF/B.19/10 titled “Implementation of the Strategic Plan: 2017 report”. They reminded the Board that at B.17, Board members had agreed that the Secretariat would report annually on the implementation of the Strategic Plan. They invited a representative of the Secretariat to take the floor to introduce this item.

112. The representative provided a brief presentation, after which the Co-Chairs opened the floor for comments.

113. Board members thanked the Secretariat for the update on the Strategic Plan and noted that it complemented the “Report of the activities of the Secretariat” under agenda item 7. Several Board members noted an increased level of maturity in the operations of GCF and suggested that the focus in 2018 should be on improving quality. Noting that the initial Strategic Plan covered the period 2015-2018, a Board member recalled that it had originally been envisaged as a “living” document; as such, Board members should consider the process for either reviewing it or for developing a new plan. Furthermore, thought would need to be given in the future as to how to make it a more measurable plan, as the current version lacked specific indicators against which the impact of GCF could be measured. A number of Board members thanked the Executive Director and the Secretariat for what had been achieved in the past two years, and one Board member congratulated the Secretariat for its success at the twenty-third session of the Conference of the Parties (COP 23).

114. Others Board members observed that the 2017 report highlighted what had been achieved and what needed to be strengthened. Specifically, one Board member identified three areas for improvement:

- (a) Transparency. While the report noted progress in this area, such as the publication of concept notes, it was still hard to find them on the GCF website; further work to improve transparency was needed;
- (b) Effectiveness. GCF needed to continue to strengthen its climate rationale, as well as the results framework, so that stakeholders were clear about its priorities; and

- (c) Equity. It continued to be important to keep in focus the need for balance between adaptation and mitigation; to ensure regions which were underrepresented were prioritized; and to continue to emphasize the need for transformative projects.

115. On regional representation, a Board member noted underrepresentation of Eastern Europe in the Strategic Plan. It was critical for GCF to consider this area as an integral part of the plan. Furthermore, direct access entities (DAEs) in Eastern Europe should also be supported.

116. Another Board member expressed several concerns about the implementation of the 2015-2018 plan, in particular the extent to which the substantive elements of that plan had been implemented. For example, it was their view that GCF had not achieved any paradigm shift based on funding proposals approved to date. One of the only things to be implemented from the plan was the structured dialogues, and the Board had yet to see any reports from these. While the report articulated work by the Secretariat with countries and entities on country and entity work programmes, there was, as yet, no meaningful country or entity work programme. Furthermore, so-called country and entity programme “briefs” lacked any legal status and did not provide sufficient details. USD 50 million had been approved for the Project Preparation Facility (PPF), but the Board had not seen any information on what had been achieved.

117. For another Board member, a major priority was to ensure that the GCF business model and operational procedures were better communicated to stakeholders. They also welcomed the focus on the private sector. Another Board member wished to see the Secretariat improve operational efficiency at a faster pace. They also underlined the need for GCF to build a specific profile so that the international community were clear on the mission and added value of GCF. In this regard, it was important to begin evaluating projects and programmes now that GCF was moving into the implementation stage of its operations. Finally, they highlighted the need to continue to improve the accreditation system, including through the use of pilot approaches, but wished to see a clear accreditation strategy.

118. A further Board member also referenced the role of accreditation in the plan. The current practice had been to deal with funding proposals and accreditation on a first-come, first-served basis. In their view this may need to be revised, otherwise GCF would never achieve its direct access targets. They recommended that more staff be allocated to this.

119. As far as a review of the plan, several Board members stressed that this would need to take account of the replenishment process. Given the level of funding needed to combat climate change, one said that the replenishment process should begin earlier than scheduled. Another stated that priorities should now be improving quality and impact as well as building country capacity through strengthening NDAs and DAEs to ensure country ownership and drivenness. Finally, learning from the Zambia Board meeting (B.11), resolving policy gaps should be a high priority.

120. Another Board member reminded the Board that GCF was guided by the Convention, the COP and the Paris Agreement. GCF terminology should adhere strictly to the terminology of the UNFCCC. Any new concepts that were not in line with Article 2 of the UNFCCC could not be accepted. If Secretariat staff did not have a good understanding of the UNFCCC, then consideration should be given to an exchange programme with the UNFCCC secretariat.

121. One Board member highlighted a reference in paragraph 2(a)(ii) of the document that stated “...focus on support for the most vulnerable”. They noted that the Strategic Plan was very specific in referring to least developed countries (LDCs), small island developing States (SIDS) and African States. With reference to Board members who had observed that GCF was failing to be transformational, the Board member said that paradigm shift did not need to involve very large sums of funding. In SIDS, smaller projects could be very transformational by having direct impacts and being country-driven.

122. 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

123. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/02 titled “Guidance from the twenty-third session of the Conference of the Parties: Co-Chairs’ proposal” and the draft decision contained in annex I to the document. In view of their election at the start of the current meeting, which had allowed insufficient time for revision of the proposal on privileges and immunities, the Co-Chairs proposed to amend the draft decision to include an additional paragraph, namely:

- (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.*

124. The Co-Chairs invited the Board to adopt the draft decision as amended and opened the floor for comments.

125. With respect to the proposed additional paragraph (d) of the draft decision, a Board member said that the matter of privileges and immunities for persons affiliated with GCF, including Board members and alternates, needed to be urgently resolved. Progress on establishing bilateral privileges and immunities agreements with different countries had been slow to date, and the release of readiness funds had, in some cases, been obstructed as a result. They also highlighted that, when GCF meetings had been held in developing countries with which GCF lacked bilateral arrangements, memoranda of understanding had been signed to address the situation; however, the same arrangement had not been imposed when meetings had been held in developed countries. As a result, Board members and alternates from developing countries had faced difficulties, including long visa application processes and delays at airports. The current situation was thus unbalanced and untenable. GCF should therefore follow the guidance from COP 20 to seek to establish a connection with the United Nations for administrative purposes, so as to ensure sufficient protection for all persons affiliated with the Fund and avoid unnecessary delays to GCF missions.

126. Another Board member highlighted the recommendation from the COP for GCF to simplify and facilitate access for DAEs, including through the adoption of a revised accreditation framework for DAEs and the private sector. Recalling decision B.18/02 on facilitating an increase in proposals from DAEs, the Board member also noted that information on proposals by DAEs had not been formally reported to the Board at its current meeting as required by paragraph (b) of decision B.18/02. Also recalling paragraph (d) of the same decision, the Board member wished to know what framework would be used to take into account the views of Board members and NDAs as part of the Secretariat’s analysis of the barriers to achieving an increase in the number of direct access proposals in the pipeline, in advance of its submission to the Board at B.20. The Board member also noted that, while DAEs now accounted for over 50 per cent of accredited entities, they accounted for only 29 per cent of approved proposals and 13 per cent of the total approved funding; greater focus was therefore needed to allocate a larger proportion of GCF funds through DAEs. Lastly, the Board member recalled the recommendation by the COP to ensure access for all developing countries to the full range of financial instruments offered by GCF, and called on the Board to take that recommendation into account, both in Board policy and in the approval of funding proposals.

127. A further Board member endorsed the comments of the previous speaker on facilitating access to GCF for DAEs. They also highlighted that, according to the workplan of the Board for 2018, accreditation proposals should be considered at every Board meeting, and they noted

with regret that no entities were being considered for accreditation at the current meeting, leaving the backlog to further increase. The same Board member also called for urgent progress at the current meeting on agenda item 12, regarding the Permanent Trustee, and item 14, regarding the replenishment process, both of which had been continually deferred at previous Board meetings.

128. A representative of the Secretariat underlined the complexity of the issue of privileges and immunities and drew the attention of the Board to the sixth report of GCF to the COP (document GCF/B.17/22/Add.02), which included in its annex III a comprehensive biannual status update on privileges and immunities, with a number of options on how to proceed, including those suggested by Board members. With regard to facilitating an increase in the number of proposals from DAEs in the GCF pipeline, the requested information was contained in document GCF/B.17/22/Add.02. In addition, document GCF/B.19/11/Add.03 “Status of the GCF portfolio and pipeline – Addendum: Information on facilitating an increase in proposals from direct access entities” was issued during the meeting in response to the mandate contained in decision B18/02.

129. The Co-Chairs took note of the comments and invited the Board to adopt the draft decision contained in annex I to document GCF/B.19/02.

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

131. 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”.

132. 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.23² 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

133. The Co-Chairs opened the agenda item and drew the attention of the Board to 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” and the draft decision contained in annex I to the document. They invited a representative of the Secretariat to take the floor.

² Available at <<http://unfccc.int/resource/docs/2017/cop23/eng/11a01.pdf#page=29>>.

134. A representative of the Secretariat presented an overview of the document, noting that in the interests of good governance, the EAC, which was not subject to a mandatory review under its terms of reference, and the AC had both been proposed for inclusion in the scope of the review. The Secretariat had proposed that the review be conducted by an ad hoc committee of the Board composed of three developing country members and three developed country members.

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

136. Board members expressed broad support for the proposed review; some added that all Board committees, panels and groups should be included in the scope of the review. Some Board members suggested that the review should include self-assessments of individual committees, panels and groups and an annual self-evaluation by the Board; two Board members said that the review should include oversight of the three GCF independent units; one added that the review should also include evaluation of the performance of Board-appointed officials. A number of Board members said that the review should be carried out by an independent third party to avoid any conflict of interest.

137. A Board member underlined the need to ensure fairness in the review of the various committees, panels and groups by taking into account the practical difficulties experienced by some members in working remotely, particularly as a result of poor Internet and phone connectivity and other communications barriers faced by those living in developing countries. They also emphasized that those practical difficulties had, in some cases, led to the resignation of developing country members of committees, panels and groups, or discouraged others from joining.

138. A Board member suggested that the balance of workload among the various committees, panels and groups should be assessed and adjusted, if necessary, and called for improved clarity on how membership of the committees, panels and groups was decided and distributed among different Board members. Another Board member said that the review should also identify and address gaps in the subject matter and current working methods of the Board. A further Board member said that newly appointed Board members should be provided with an overview of the work of the various committees, panels and groups.

139. A Board member opposed the creation of an ad hoc Board committee to carry out the review. Another Board member emphasized the importance of finalizing and approving the terms of reference for the review by the end of the current meeting.

140. A representative of the Secretariat took note of the comments and proposed to revise the draft decision based on the comments made.

141. The Co-Chairs proposed further consultations on the matter on the margins of the meeting, pending submission of a revised draft decision later in the meeting. They appointed two Board members, Ms. Satu Santala and Mr. Ali'ioaiga Feturi Elisaia, to lead the consultations on an ad hoc basis.

142. The agenda item was suspended.

143. The Co-Chairs re-opened the agenda item on the final day of the meeting and drew the attention of the Board to a revised version of the draft decision, which had been circulated to Board members. They invited a Board member to clarify the amendments made since the previous discussion under this agenda item.

144. Ms. Santala, who also spoke on behalf of Mr. Elisaia, said that the terms of reference had been revised based on feedback from the Board: the scope of the review had been broadened to cover the overall effectiveness of Board committees, panels and groups; and the review would be conducted by an independent consulting firm, the funds for which had been cleared by the BC.

145. Noting the proposed budget allocation of USD 200,000, various Board members questioned the need for such a large amount to be spent on the review. One Board member noted that the vast majority of the work done by the committees, panels and groups was done remotely and wondered whether the review could also be carried out on a largely remote basis, which would be less costly.
146. A Board member suggested that the Secretariat should carry out the review, which would be a faster approach with no procurement process or additional costs; another Board member suggested that the review should be conducted by the Independent Evaluation Unit (IEU), which not only had a mandate to carry out such a review but was also already accounted for in the GCF budget; a third Board member maintained that employment of an external third party would be the best route to guarantee an objective review.
147. A Board member said that they wished to see a copy of the revised terms of reference before they would be willing to approve the draft decision. Two Board members said that public disclosure to consulting firms of the maximum budget for the review was ill-advised. Another Board member suggested that the recruitment of an independent consulting firm should be approved by the Board, with the budget allocation to be confirmed separately through discussions between the Co-Chairs and Secretariat.
148. The Co-Chairs proposed that the draft decision be further revised to reflect the additional comments.
149. The agenda item was suspended.
150. The agenda item was not re-opened during the meeting.
151. 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”.

Agenda item 12: Matters related to the Trustee

152. The Co-Chairs opened the agenda item and informed the Board that two matters would be considered under this item. The first concerned the termination of the contract with the Interim Trustee on 30 April 2018, which required the Board to consider an extension.
153. The Co-Chairs invited a representative of the Secretariat to address the Board on this matter.
154. The Deputy Executive Director, Mr. Manzanares, reminded Board members that the existing agreement with the Interim Trustee was signed on 22 April 2015. Under this agreement, unless otherwise agreed between GCF and the World Bank, the World Bank’s role as Interim Trustee would terminate on 30 April 2018.
155. While the Board was currently considering the selection process for the Interim Trustee’s successor, under the present circumstances, it was unlikely that a successor trustee would be selected in time to take up its role from 1 May 2018.
156. Following discussions with the Interim Trustee, and assuming there was no successor trustee in place by 1 May 2018, it was the Secretariat’s understanding that the role of the Interim Trustee after such date would be limited to (i) preserving GCF assets held in trust by the Interim Trustee, and (ii) executing cash transfers and other transactions that were initiated prior to 30 April 2018.
157. This also meant that the Interim Trustee would not be in a position to:
- (a) Enter into new contribution agreements;

- (b) Receive contributions that were due to be paid under the signed contribution agreements; or
- (c) Be able to execute disbursements for approved projects for which there were signed and effective funded activity agreements (FAAs). This could, among other things, potentially put GCF in breach of its legal obligations with respect to such projects and/or lead to delays in implementation.
158. Therefore, to avoid any discontinuity in GCF operations from 1 May 2018, Board guidance was sought to extend the contract with the World Bank.
159. The Deputy Executive Director informed the Board that the new General Counsel was ready to answer any legal questions that the Board might have.
160. The Co-Chairs invited the General Counsel to take the floor.
161. The General Counsel, Mr. Douglas Leys, informed Board members that he had recently taken up his new appointment, having previously been Jamaica's Solicitor General and worked with the Caribbean Development Bank. The General Counsel noted that this was a sensitive matter as the Trustee was the lynchpin for the financing of programmes and projects approved by the Board, and without a Trustee there would be a vacuum. Regarding the likely consequences of not extending the World Bank's role as Interim Trustee, the General Counsel indicated that:
- (a) The Trustee may, within six months of the termination of the World Bank's role on 31 October 2018, terminate the existing contribution agreements/arrangements and thereafter return the contributors' share (to be calculated pursuant to the terms of the Standard Provisions);
- (b) GCF would not be able to enter into new contribution agreements/arrangements;
- (c) GCF would not be able receive any contributions that were due to be paid under the executed contribution agreements/arrangements; and
- (d) The Trustee may cease to make distributions to approved project/programmes, even if such approvals were given prior to 30 April 2018.
162. As to what the options were open to the Board, the General Counsel stated that, in order to ensure continuity of the Trustee services, it was recommended that the Board approve the extension of the term of the World Bank's role as Interim Trustee for a period of initially up to one year.
163. The Co-Chairs informed Board members that they now proposed to move onto the second matter under this agenda item, following which they would decide how to take the item forward.
164. The Co-Chairs reminded Board members that the Board had established an ad hoc Trustee Selection Committee to facilitate the process to select the Permanent Trustee. The committee reported on progress at B.18. They requested further guidance from the Board in taking their work forward. Due to insufficient time, the Board was unable to provide the necessary guidance to the Committee.
165. The Co-Chairs invited the Board to share their views on the matter, beginning with the chair of the ad hoc Trustee Selection Committee.
166. The chair of the ad hoc Trustee Selection Committee, Mr. Zaheer Fakir, stated that the committee had not been asked to continue its work, and as a result the committee had nothing further to report.
167. The Co-Chairs opened the floor for comments.

168. Concerns were expressed by several Board members at the current state of affairs. A member of the ad hoc Trustee Selection Committee reminded the Board that the Committee had worked well and resolved many issues regarding the way forward for the selection of the Permanent Trustee. The stumbling block had been the process and the question of whether some entities should automatically be considered. They could not now consider an extension before the issue of the permanent selection had been resolved. This view was echoed by another Board member who expressed regret that the Secretariat had presented the extension of the contract of the existing Interim Trustee as the main option rather than the conclusion of the selection of a Permanent Trustee, as required by the COP. In terms of advertising the vacancy, they stated that the Board had already compromised as far as was possible to take account of the position of the Interim Trustee; if they wished to be considered, the World Bank should submit a letter of interest. They expressed concern at any implication that there would be consequences for the Fund if the Board opted not to extend the existing contract with the Interim Trustee.

169. Another Board member stated that the issue should now be finally resolved within the Board rather than within the ad hoc Trustee Selection Committee. It was critical for GCF to have a fully functioning Trustee after 30 April 2018. The failure of the Board to resolve this matter carried not only legal risks but reputational ones as well. They requested legal opinion on what basic tasks performed by the Interim Trustee could continue post 30 April 2018 and for what time period.

170. The Co-Chairs invited the General Counsel to respond.

171. The General Counsel informed the Board that the affairs of the GCF Trust Fund would be concluded on 31 October 2018. Commitments made prior to 30 April 2018 would be allocated as normal up to 31 October 2018. There would be no legal capacity to disburse new funds for funding proposals approved after the 30 April 2018. For all purposes the services of the Interim Trustee would terminate on 31 October 2018 and negotiations would then have to take place to transfer back contributions to contributors in the absence of any agreement with the contributors.

172. The Board member who had requested the legal opinion stated that to reach a situation where GCF would have no Trustee, even for basic functions, should be a major concern to the Board. As it seemed unlikely any resolution to the question of the selection of a Permanent Trustee would be reached by 31 October 2018, they urged the Board to consider alternatives.

173. A discussion then ensued between the Co-Chairs and a Board member on whether the Co-Chairs were proposing further consultations in the margins of the meeting on the question of the selection of the Permanent Trustee or the extension of the term of the existing Interim Trustee, or both. For the Board member involved, the priority should be the selection of a Permanent Trustee.

174. Another Board member echoed views expressed by the Board member who highlighted the risks of having no Trustee, underlining the importance of continuity, stewardship, disbursement capacities, and the reputation of GCF. They requested further clarification from the General Counsel on existing contracts with contributors and the legal risks to those contracts if there was no trustee.

175. Speaking in his capacity as a Board member rather than as chair of the ad hoc Trustee Selection Committee, Mr. Fakir pointed out that it was less an issue about the Trustee than about the principles governing how GCF operated. These included values of fairness and competitiveness. If the Board were prepared to forego these values now, wouldn't this undermine the very same values when, for example, considering projects or procurement?

176. Another Board member urged adherence to important principles while finding practical solutions to the current situation. They suggested a breakout group use limited terms of reference on the issue of extension while a separate group or the Board focus on selection.

177. For another Board member the issue wasn't about extension versus selection. The need for extension was the result of a failure to reach consensus on the selection process. They reminded Board members about clear COP guidance and the need for transparency. It was certainly crucial that the Board was not seen to be selective in its application of GCF core principles. Another Board member stated that the Board had to find a way to build a bridge by agreeing a process at the meeting while extending the contract of the Interim Trustee.

178. The Board member who had earlier reminded the Board of compromises already made, proposed that the announcement for a Permanent Trustee now be made, based on the agreed terms of reference and the wording of the advertisement. By doing so, GCF would have a Trustee by the end of April. If the Interim Trustee chose not to apply, the Board could then consider a transition process.

179. The Board member who had reminded the Board about the need to adhere to COP guidance, requested that the World Bank, as the Interim Trustee, formally communicate whether it would apply. On whether a breakout group should be formed, the member instead suggested consultations outside of the plenary.

180. The Co-Chairs stated they would consult. One of the Co-Chairs informed the Board that the issue of the Trustee had been sensitive in Autumn 2014 when they had last been involved with the Fund. It was vital that the Board did not risk the consequences of not having a functioning Trustee. Given that the issue had not been resolved in the past three and a half years, they doubted it could be resolved before the end of the current Board meeting.

181. The Co-Chairs adjourned the item.

182. The Co-Chairs re-opened the item on the final day of the meeting.

183. They invited the chair of the ad hoc Trustee Selection Committee to take the floor.

184. Mr. Fakir informed the Board of the revised decision text that covered both continuity in Trustee services and an open, transparent and competitive bidding process for the Permanent Trustee.

185. The Co-Chairs asked the Board if there were any further comments or objections.

186. There being none, the decision was so adopted.

187. 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;*
- (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

188. The Co-Chairs opened the agenda item and introduced document GCF/B.19/19 titled “Risk management framework: Proposal by the Risk Management Committee”. They thanked the RMC and the Secretariat for their work in developing the paper and invited a representative of the Secretariat to take the floor.

189. The representative gave a short presentation.

190. The Co-Chairs then invited the coordinator of the RMC, Mr. Cyril Rousseau, to take the floor.

191. Mr. Rousseau explained that what was being presented was the ongoing work of the RMC, the Secretariat, and Oliver Wyman, the external consulting firm. The coordinator thanked RMC members for their hard work and stated that the document included two parts. The first part included a revised set of components for the RMF, which had been presented at B.18 but where no decision had been taken. The document now presented had been streamlined to make it even more fit for purpose. The second part was a revised approach on the reporting on concentration within the risk dashboard. The RMC supported the proposed RMF but had noted that there were reservations raised by some Board members on the country concentration chart in the risk dashboard. The coordinator said that the RMC had taken no position on the latter point and was submitting it for Board consideration.

192. The Co-Chairs invited Board members to adopt the draft decision.

193. A Board member stated that they still had concerns and were not currently able to adopt the draft decision. Firstly, they wished to know if there had been a consensus within the RMC on its conclusions. Secondly, the Board member stated that the impression created by the RMF was that it was more focused on protecting GCF funds, that is, it was more focused on the liquidity of GCF rather than investing in developing countries to meet the mandate of GCF. The mission statement in the RMF said that GCF had a high-risk appetite, yet the Board member stated they had a sense from the RMF that it was going in the opposite direction and taking a very conservative approach to risk. For example, they noted that the Readiness Programme was subject to risk management when this element of GCF activities was intended to be for smaller funding amounts and with limited risk. While such an approach to risk might sit comfortably within a private sector financial institution, it was not appropriate for GCF. The Board member also expressed concern that while there was continued reference to country concentration risk,

the RMF remained silent on entity concentration risk when a significant proportion of GCF funds were with a few AEs. Finally, they observed that other policies, such as incremental costs, co-financing and concessionality, were also being considered by the Board and these would have an impact on the RMF. They wondered if it was prudent to be progressing the RMF now in view of the fact that the document would not be reviewed for another three years.

194. Another Board member asked if the Head of the Independent Integrity Unity (IIU) had been consulted. They noted that IIU also had a mandate to protect GCF interests and conduct risk management on non-financial matters. Separately, they requested that the last sentence in footnote 21 on page 21 of the document be deleted as there should not be a reference to country groups as defined by the World Bank.

195. While supporting the draft decision as framed, another Board member wished to see several points added. Firstly, it was necessary to look at the interaction between different types of risk. For example, reputational risk could lead to funding risk, especially when looking at the risk of being able to mobilize new pledges in future. Secondly, looking at AEs and their responsibilities, which were highlighted in the RMF, the Board member highlighted the risks faced by GCF due to the high number and varied type of AE with which the Fund was involved. Finally, they requested that a reference be made to the role of EAC and IEU in identifying, monitoring and eliminating GCF risk.

196. The Co-Chairs invited the representative of the Secretariat to respond to the queries raised.

197. The representative stated that the RMF was uniquely tailored to the mandate of GCF and was not restrictive or prescriptive; as a framework it would not comply with the requirements of a private sector financial institution. While there was currently no AE concentration guideline, the RMF was a living framework, and as GCF matured this could be added if the Board wished; the Board would be getting a flow of information via the risk dashboard that could then inform future decisions. It was normal in the early stages of portfolio build-up for there to be distortions, but once the portfolio developed further an AE concentration guideline could be reconsidered. On the question of liquidity, the guideline was to have at least one year of liquid assets available from the Trustee to meet funding proposals. This guideline was in no way intended to restrict what GCF chose to fund. Regarding readiness, colleagues in the Country Programming Division (CPD) had requested that risk be considered but not in a way that would be restrictive of the Readiness and Preparatory Support Programme; this consideration of risk was intended to be collaborative with countries and entities to achieve better solutions. Finally, on the question of the relationship with IIU, and particularly in relation to compliance, the Secretariat was working closely with the Head of IIU.

198. The RMC coordinator thanked Board members for their comments. Regarding consensus in the RMC, Mr. Rousseau stated that the RMC supported the document. On the country concentration chart in the risk dashboard revised reporting element, the coordinator stressed that the RMC had taken no position on this and presented it to the Board for consideration. In relation to a Board member comment regarding concentration risk among AEs, the RMC coordinator said that the risk dashboard did indeed provide details regarding AE concentration and noted that this was significant in the GCF portfolio at the present time. On financial risk appetite per the GCF mandate, there was nothing in the RMF that prevented GCF from taking higher financial risks.

199. The Co-Chairs adjourned the item for further consultations by the RMC with Board members and the Secretariat.

200. The item was reopened on the final day of the meeting.

201. A representative of the Secretariat highlighted the changes made to document GCF/B.19/19.

202. A Board member raised a point of order regarding the distribution of clean documents for Board consideration.
203. Another Board member requested that a version of document GCF/B.19/19 with tracked changes as well as a clean version of the document be provided in hard copy to the Board.
204. The Co-Chairs adjourned the item while documents were prepared.
205. Later the same day, the Co-Chairs reopened the item and informed the Board that the Secretariat had distributed the following documents as hard copies to the Board: (i) the draft decision, (ii) a version of document GCF/B.19/19 with tracked changes, and (iii) a clean version of document GCF/B.19/19.
206. A representative of the Secretariat highlighted the changes made to document GCF/B.19/19, namely:
- (a) Removal of the country concentration chart in annex V: Risk dashboard – revised reporting on concentration; and
 - (b) Removal of the last sentence of footnote 21 in the document (paragraph 26 of annex IV: Funding risk policy).
207. The representative also added that the Secretariat would engage colleagues from IIU regarding reputational risk and that IIU would have the opportunity to present their suggested changes to the RMC at their next meeting.
208. There being no further comments or objections, the decision was duly adopted.
209. The Board took note of document GCF/B.19/19 titled “Risk management framework: Proposal by the Risk Management Committee”.
210. 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

211. The Co-Chairs opened the item and reminded Board members that by decision B.12/09 the Board had requested the Co-Chairs to undertake consultations with the Board on the first formal replenishment process of GCF and present the outcomes of these consultations to the Board no later than the fourteenth meeting of the Board (B.14). The Board also requested the Co-Chairs to present their initial observations on the first formal replenishment process at the thirteenth meeting of the Board (B.13).

212. The Board by the same decision requested the Secretariat to support the Co-Chairs to prepare documentation related to the design and development of the first formal replenishment process. The Board also requested the Secretariat to support the Co-Chairs to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure.

213. They invited a representative of the Secretariat to introduce the item.

214. The representative informed the Board that the Secretariat had been making progress in preparations towards the replenishment process. In particular, the preparations had focused on internal discussions on roles, structure, approach and governance. Furthermore, progress had been made regarding relevant reviews and reports. The Secretariat had produced draft terms of reference for a GCF performance review, which was at the disposal of the Board. Progress had also been made to report on portfolio pipelines through the Portfolio Management Unit (PMU) and a review of the 2017 portfolio had been completed. The Secretariat envisaged a process for a formal consultation meeting and a process for review and agreement on programming policies and strategies. The Secretariat sought guidance from the Board on the role it wished to play in the replenishment process.

215. The Co-Chairs stated that this matter was of great importance given that the intermediate and long-term funding of GCF was dependent on the replenishment process. They opened the floor for comments.

216. A Board member sought clarification on the basis for the development of the documents by the Secretariat.

217. The representative of the Secretariat informed the Board that the documents had not been requested by the Board; this was a Secretariat initiative to prepare for the replenishment process. The document on the portfolio review was often a requirement from contributors and would be done on a yearly basis, and the report of the terms of reference for the GCF performance review was based on good practice in preparation for such a review.

218. The Board then engaged in a substantive discussion. There was broad agreement that there was a degree of urgency to progress the matter, with others also urging the resolution of the Trustee issue either in parallel or sequentially before the replenishment process was progressed. A range of proposals were made on the mechanics of how to proceed.

Discussion part 1

219. Several Board members highlighted the context in which this discussion was taking place as follows:

- (a) The overarching mandate of GCF under the UNFCCC and the 2015 Paris Agreement in terms of limiting global temperature increases to below 2° C and the role of GCF in promoting a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations that are particularly vulnerable to climate change impacts;

- (b) The current requests from countries for USD 23 billion from GCF;
- (c) That 2018 was the final year of the initial resource mobilization period and the replenishment trigger had not yet been reached although was fast-approaching;
- (d) That this was the first replenishment process for GCF;
- (e) That GCF was required to report to COP 24 in December on the GCF replenishment process; and
- (f) That existing and potential contributor countries would need justifications to present to their parliaments while GCF was still at a very early stage in being able to provide evidence of quantifiable results on the ground.

220. A number of Board members highlighted the importance of the Board working collectively so that GCF could go to COP 24 with a consensus position on the process for replenishment. According to one Board member, it was essential to send a united message to governments and potential contributors. Several Board members stressed the importance of identifying the needs of developing countries and of developing countries being fully represented during the replenishment process. One Board member noted that it was the representatives of developing countries who were in a better position to identify their needs than the Secretariat.

221. Several Board members stated that, as GCF was unique compared to other financial mechanisms, its replenishment process should also be unique. One noted that the trigger (decision B.08/13) only related to the replenishment process and did not cover the need for policies and procedures governing the process upon which the Board needed to agree. Another Board member suggested that lessons should be learned from the replenishment processes of other funds.

222. Several Board members thanked the Secretariat for their early work on the process. One Board member stressed the need for the Board to avoid a cliff-edge situation such as that faced with the Interim Trustee by placing a high priority on agreeing next steps. One Board member said that 2018 was an extremely important year as COP 24 sought to implement the Paris Agreement; to ensure that this happened, GCF had a pivotal role to play. They reminded the Board that it was the Board's approval at B.11 of the funding proposal from Zambia that provided credibility for the Paris negotiations. The GCF needed to send a strong signal to ensure that COP 24 negotiations were successful.

223. One member asked if the existing pipeline of requests would help to determine the size of the replenishment. They also wondered if the current portfolio would help reduce greenhouse gases (GHGs). They proposed that the Board commission a consultancy firm to conduct a study to assess the amount required through replenishment based on parameters that would need to be agreed by the Board; the Board could follow up on the results of that study. GCF would then be in a position to communicate to governments what it considered was reasonable in terms of funding. This proposal was supported by several Board members, one of whom said it was vital to provide an indication of developing country needs that considered their NDCs. However, another Board member proposed that the Secretariat, supported by the Interim Trustee, should provide background information for the Board and not an external consultancy firm.

224. The Co-Chairs thanked the Board member for their proposal.

225. For another Board member the issue was one of competence. The Board did not have the competence to decide on what any country should contribute as this was a sovereign decision for individual parliaments. For this reason, they did not support the proposal for a study. They requested that the Secretariat indicate how long replenishment might take once the process was launched.

226. Another Board member suggested that the idea of a study to determine funding needs might seem strange to the outside world when GCF could not agree on the selection of a Permanent Trustee. They requested that the Secretariat provide basic information on how other financial mechanisms operated a replenishment process. On the Trustee point, one Board member said the replenishment should be sequential, with the Trustee issue being resolved first before the Board considered replenishment. For several Board members this approach was not acceptable as replenishment was also very urgent.

227. Another Board member suggested a stepwise approach for GCF where some parts of the replenishment process were started immediately with the Secretariat being mandated to provide funding numbers and options. This would provide the context for the Board to take policy decisions. They wished to know the timeframe needed by the Secretariat. This approach was supported by another Board member who highlighted the need for the Board to provide guidance to the Secretariat. As to where leadership for replenishment lay, for this Board member representing several governments, leadership lay outside the Board; replenishment meant making the case to decision makers who acted on behalf of tax payers.

228. The Co-Chairs observed that it was important for the Board not to be overly concerned about a specific funding amount as country needs would always far exceed available funds to combat climate change.

229. While accepting that funding would never meet demand, another Board member said that it was important to remember that the Board was working within the framework of the Governing Instrument. As such, country ownership was paramount and the approach to replenishment needed to be based on country needs and national circumstances.

230. A Board member reminded the Board that the timeline was tight, given that the terms of several Board members would expire at the end of the year; it would be unwise to hand over an unresolved situation to many incoming members.

231. A Board member said that the Board now needed to move beyond brainstorming to concrete action. They proposed the creation of an ad hoc Board committee with clear terms of reference chaired by the Co-Chairs to discuss modalities without describing funding amounts or commitments. This work could be done between meetings and report at B.20, and then by B.21 GCF would have an agreed process.

232. A Board member expressed support for this approach and requested that a decision to this effect be drafted.

233. The Co-Chairs invited the Secretariat to provide a response on the timeline for such a process.

234. Regarding the question of the timeline for the replenishment process, the representative of the Secretariat informed the Board that they anticipated several stages, the first of which would last around six months and involve preparation of Board decisions on procedures, terms and conditions, and other related matters. The second stage would involve replenishment meetings, which perhaps would last 12 months, including consultation meetings and a pledging session. Overall the process could take 18 months. Regarding the proposal for an ad hoc Board committee, the Secretariat welcomed this and could provide terms of reference for Board approval.

235. The Co-Chairs stated that the proposals would be consolidated into a draft decision for Board consideration.

236. A discussion then ensued on whether a Board committee was the best way forward. One Board member requested time to consider this further before a draft decision was presented. Another Board member said that committees were effective for technical matters but perhaps much less so for highly political topics; by their nature, committees and their membership

raised questions about who was included and who was excluded, which created problems of ownership. Another said it would be unacceptable to have such a committee debating terms of reference for months; parking the issue in a committee risked creating deadlock rather than unity. They also observed that during the initial resource mobilization process the Secretariat did not have the resources to provide support to the Board; that had now completely changed. They requested that the Co-Chairs oversee the Secretariat. Others supported the committee proposal with one reminding Board members that ad hoc Board committees had been successful in dealing with a wide range of issues since the formation of GCF. Furthermore, they noted that the documents prepared by the Secretariat had been requested by some constituencies without prior consideration by the Board. Given that would-be contributor countries had already commissioned studies, they stated that it was perfectly legitimate for developing countries to do the same. One suggested that, while the proposed ad hoc Board committee would provide guidance to the Secretariat, it would also be valuable to have an external body to ensure there was no conflict of interest. They noted that ultimately staff jobs at the Secretariat were dependent on a successful replenishment. Others said that, whether it was called a committee or a working group, some structure was required to move the matter forward.

237. A Board member said that it was essential to recognize there were differences among Board members. It was important to bring these into the open and for Board members to be honest with each other. The same Board member said that replenishment was crucial to SIDS. Like many vulnerable countries, SIDS had not contributed to the greenhouse gas emissions that were causing global warming. Another Board member requested that the subject of replenishment not be brought into every Board discussion on policies; decisions about replenishment were made outside the Board at a political level.

238. The Co-Chairs asked Board members if it was acceptable to draft a decision that asked the Secretariat to prepare further inputs for B.20.

239. This was objected to by a Board member who stated that it was not clear specifically what they were being mandated to do.

240. The Co-Chairs said that the Secretariat were being asked to develop proposals for next steps for Board approval.

241. A Board member expressed support for the Co-Chairs' proposal and requested that text be added to state that the Co-Chairs would consult Board members on what information was required before negotiations could start; this could be collated for B.20 so that the Board could focus on replenishment.

242. Another Board said that what was now proposed was already known; the Board knew what information was needed. They requested that the Board reconsider the matter the following day to ensure the best possible decision. This view was supported by other Board members. One underlined the need for the Co-Chairs to be closely involved to avoid a situation where the Secretariat presented a document that did not have broad consensus.

243. The Co-Chairs thanked the Board for the fruitful discussion and requested that Board members make written submissions on the way forward. They then adjourned the item.

Discussion part 2

244. On the final day of the meeting the Co-Chairs reopened the item.

245. A representative of the Secretariat informed the Board that it had captured three possible options:

(a) Option 1, the Secretariat would prepare inputs for the Board;

- (b) Option 2, the Co-Chairs would oversee preparations with Secretariat support, in consultation with the Board; and
- (c) Option 3, an ad hoc Board committee would oversee preparation with Secretariat support.
246. Regarding the inputs for preparation by the Secretariat for B.20 these were understood to be as follows:
- (a) A paper outlining options for the format, structure and governance of the first formal replenishment process of GCF;
- (b) Terms of reference for an analysis of needs and potential for GCF resources to support a paradigm shift towards low-emissions, climate-resilient development in developing countries;
- (c) Terms of reference for a review of the performance of GCF; and
- (d) A policy on contributions from alternative sources.
247. A Board member requested that these options be prepared as a draft decision for the Board to consider.
248. The Co-Chairs requested that the Secretariat prepare these options in the draft decision.
249. The Co-Chairs adjourned the item.
250. The Co-Chairs reopened the item later on the final day of the meeting and informed Board members that the draft decision was now available.
251. A Board member stated that the Board had other business to attend to during the year and a Permanent Trustee had not been selected. They noted that replenishment had not yet been triggered under the GCF legal instruments, but there was an imminent deadline regarding the Interim Trustee at the end of April. They requested that the Trustee matter be discussed prior to replenishment.
252. The Co-Chairs proposed that since the decision text for agenda item 14 was on the table, that the Board should consider it first.
253. During the ensuing discussion, Board members expressed preferences for different options presented by the Secretariat. Several Board members supported option 2, with some supporting option 1 and another supporting option 3. Some Board members asked the Co-Chairs to provide guidance on the way forward. One Board member suggested that in view of the very short time before the end of the meeting, the Co-Chairs consult further and come back with a decision taken between meetings. This was objected to by another Board member. Another Board member suggested that a group be established of six Board members, geographically balanced with three from developing countries and three from developed countries, for an ad hoc replenishment committee to agree on process. The final objective for the Board should be to go to COP 24 with an agreed replenishment process. One Board member objected to an annex, with draft decisions, which had been circulated during the meeting.
254. A Board member wished to have recorded in the report of the meeting that the Co-Chairs would consult with the Board on the replenishment process.
255. The Co-Chairs stated that they would assume the responsibility to consult with the Board following the meeting as a matter of urgency, given the seriousness of the item.
256. Seeing an emerging consensus around option 2, the Co-Chairs proposed that the annex be removed and asked if Board members could adopt the draft decision.
257. There being no further comments or objections, the draft decision as amended was adopted.

258. 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 decision³ 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

259. This agenda item was not opened.

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

260. 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

261. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/37 titled "Identification of results areas where targeted GCF investment would have the most impact".

262. Noting that the document had been published on 25 February 2018, well past the publication deadline of 21 days before the meeting as stipulated in the Rules of Procedure, paragraph 21, they proposed that the agenda item be deferred to B.20 and that Board members submit written comments on the agenda item to the Secretariat before 30 March 2018; any comments received would be taken into account in a revised version of the document to be issued a minimum of 21 days prior to B.20. The same procedure would also apply to agenda item 15(d), for which document GCF/B.19/38 had also been issued on 25 February 2018.

263. Emphasizing the need for consistency, a Board member enquired as to whether the approach proposed by the Co-Chairs constituted a new procedure that would be applied in future to all agenda items for which documentation was not issued at least 21 days in advance of the relevant meeting.

³ Decision B.05/17.

264. The Co-Chairs stated that the proposed approach had been formulated as a mechanism to deal with the particularly late issuance of the documents, which had left insufficient time for consideration of the agenda item at the current meeting.

265. The agenda item was closed.

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

(d) Project and programme eligibility and selection criteria

267. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/38 titled “Mapping of elements related to project or programme eligibility and selection criteria”.

268. Noting that the document had been published on 25 February 2018, well past the publication deadline of 21 days before the meeting as stipulated in the Rules of Procedure, paragraph 21, they proposed that the agenda item be deferred to B.20 and that Board members submit written comments on the agenda item to the Secretariat before 30 March 2018; any comments received would be taken into account in a revised version of the document to be issued a minimum of 21 days prior to B.20.

269. The agenda item was closed.

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

(e) Options for further guidance on concessionality; and

(f) Development and application of incremental cost calculation methodology and/or alternative methodologies

271. The discussion on agenda sub-items 15(e) and (f) resulted in a decision being taken on both sub-items together. For reasons of clarity, the discussion is reflected below in the chronological order in which it was held during the meeting.

(f) Development and application of incremental cost calculation methodology and/or alternative methodologies

272. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document B.19/34 titled “Incremental cost methodology: potential approaches for the Green Climate Fund” and the draft decision contained in annex I to the document. Noting that the document had been issued on 20 February 2018, past the publication deadline of 21 days in advance of the Board meeting as stipulated in the Rules of Procedure, paragraph 21, they proposed that a short discussion be held on the agenda sub-item to gather input from the Board with a view to deferring the matter to B.20. They invited a representative of the Secretariat to take the floor.

273. A representative of the Secretariat gave a presentation outlining the main themes covered in the document.

274. Several Board members welcomed the document and stressed the urgent need to establish a calculation methodology for incremental cost to give clear guidance to AEs, highlighting that this was a requirement under the mandate of GCF; with that in mind, one

Board member expressed regret at the proposed deferral of the agenda sub-item to the following meeting of the Board.

275. Various Board members said that the issue of incremental cost was closely bound to other policy matters, such as concessionality, and urged the Secretariat to adopt a comprehensive and integrated approach when developing policies related to the approval of funding proposals. A number of Board members highlighted the inherent difficulty of calculating incremental cost, especially for adaptation projects, and urged the Secretariat to pay careful attention to that matter. Regarding this point, a Board member welcomed the general concept of using quantitative approaches for mitigation projects and qualitative approaches for adaptation projects but underlined that for certain projects, such as those relating to ports or transport, qualitative methods could also be appropriate for adaptation projects.

276. Two Board members said that projects classified as “cross-cutting” would be difficult to assess in terms of an incremental cost calculation methodology and should therefore be dealt with according to the specific proportion of the project dedicated to mitigation and adaptation, respectively; another Board member proposed that the “cross-cutting” category be removed altogether.

277. A Board member underlined that in certain countries, sufficient data was not always available to calculate climate impact; they also called for an incremental cost calculation methodology to be applied at a broader programme level rather than to specific projects in isolation.

278. Some Board members also called for the provision of training for AEs on incremental cost and underlined the importance of examining the precedents already set, both by GCF and by other institutions, when developing an incremental cost calculation methodology.

279. An active observer for CSOs welcomed the document while also stressing the need for separate approaches towards incremental cost for mitigation projects and adaptation projects. Full-cost project financing should not be ruled out, especially for adaptation projects. Quantitative baseline calculations should not be assumed as applicable for all project types; in certain cases, qualitative descriptions of incremental cost were more appropriate than quantitative baselines. The large body of available critical evidence on the difficulties of applying baselines in the clean development mechanism should be consulted to avoid repeating similar mistakes. Incremental cost calculations should not be used to limit the scope of eligible GCF projects to a very narrow definition of climate relevance, particularly in the case of adaptation projects. GCF should also take care to ensure that “net incremental costs” did not undervalue development co-benefits. Lastly, the active observer requested further detail on the capacity-building programme for AEs that was mentioned in the draft decision.

280. A number of Board members stressed the need to avoid ruling out full project financing for certain projects; for example, if GCF were to adopt a policy of only financing incremental cost in all projects, many projects in the most vulnerable countries, such as SIDS and LDCs, would never be implemented because it was too difficult for entities in those countries to secure the necessary co-financing. Two Board members called for adherence to the Governing Instrument, which included provisions for full project cost financing by GCF.

281. The Co-Chairs invited Board members to submit written comments to the Secretariat within two weeks of the end of the current meeting and requested the Secretariat to take account of those comments, in addition to the comments made during the present discussion, in a revised document to be submitted for consideration by the Board at least 21 days in advance of B.20.

282. A Board member requested that comments submitted after the specified two-week period also be taken into account.

283. The Co-Chairs took note of the comment and suspended consideration of the agenda sub-item.

(e) Options for further guidance on concessionality

284. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.19/12/Rev.01 titled “Concessionality: potential approaches for further guidance” and the draft decision contained in annex I to the document. They invited a representative of the Secretariat to take the floor.

285. A representative of the Secretariat introduced the document, outlining three potential approaches that could be followed in developing further guidance on concessionality for AEs and NDAs.

286. With regard to the three options presented by the Secretariat in the document, Board members expressed a range of views on which would be the most preferable approach. Several Board members said that providing concessional finance was a key requirement of the mandate of GCF and underlined the need for swift adoption of a clear policy thereon; one said that concessionality constituted the largest source of leverage to promote a paradigm shift. Two Board members said that the level of concessional finance offered by GCF should be calculated based on the specific characteristics and requirements of each project, not the overall characteristics or income level of the country concerned. One expressed concern that a rules-based approach may not be consistent with the UNFCCC and underlined that, in order to maximize the transformational impact of a project, it would be necessary in certain cases to increase, rather than reduce, the level of concessionality offered.

287. A Board member called for the development of a methodology to determine the level of vulnerability of different countries, beyond the use of purely economic criteria. They also requested information on when the annual review of financial terms and conditions of the GCF financial instruments would be complete. Another Board member called for greater transparency in GCF documents and templates on concessionality. A separate Board member said that it was quite common to combine grants with “soft loans” and highlighted that loans could provide more liquidity than an equivalent grant amount; they expressed concern, however, that if a purely rules-based approach were used, entities co-financing GCF projects could use GCF concessional finance as a way to minimize their own concessional rates and financial risk.

288. Two Board members expressed support for the concurrent approach set out in “Option 3” of the document; however, consensus was not reached.

289. The Co-Chairs took note of the comments and proposed that the agenda sub-item be re-opened later in the meeting.

290. The agenda sub-item was suspended.

291. The Co-Chairs re-opened the agenda sub-item on the final day of the meeting and opened the floor for comments.

292. Various Board members highlighted the interconnected and interdependent nature of concessionality and incremental cost and proposed that agenda sub-items 15(e) and (f) be dealt with as a package, rather than adopting a decision on item 15(e) in isolation. Some Board members urged the Board to approve the elements of the draft decision on which there was consensus. One Board member objected to the approval of only certain parts of the policy. Two Board members proposed that all references distinguishing countries based on income levels (other than with regard to LDCs, SIDS and African countries as stated in the mandate of GCF) be removed.

293. A number of Board members re-emphasized the importance of establishing a policy on the application of concessionality to GCF-funded projects to give clear guidance to all entities involved with GCF and to prevent the current lack of clarity from deterring potential project proponents. Two Board members said that the discussion at hand related not to whether concessional finance should be offered but on what basis. One Board member said that concessionality was designed to make investments possible that would otherwise not be, and therefore concessionality should be set at the minimum amount to make an investment viable. Another said that the purpose of concessionality was to maximize use of GCF funds.

294. Two Board members said that the approach outlined in the document would be more appropriate for a multilateral development bank than a fund such as GCF; one emphasized that financial risks should not be shifted from GCF onto developing countries and said that the purpose of GCF, in line with previous climate negotiations, was to provide developing countries with funding for mitigation and adaptation projects that did not necessarily need to be repaid. Another Board member underlined the need for transparency and called for the provision of information on the interest rates applied to on-lending by co-financiers to ensure that such loans were not being offered above market rates.

295. An active observer for CSOs welcomed the proposal to develop operational guidance to improve consistency in reporting standards in project proposals. They suggested that the Board request the Secretariat to develop additional guidance for consideration by the Board at B.21, and they stressed that any other action on the current item should be delayed until after the presentation of that guidance. The active observer expressed concern that the “positive” lists of project characteristics mentioned in the document could be treated as standard requirements, making it difficult for projects requiring grants or a high level of concessionality to be considered eligible for GCF funding; they emphasized that the creation of more consistent tools should not exclude any country from receiving grant funding or full project cost financing. They also expressed support for the proposal contained in the document to use grant instruments to support public sector projects in heavily indebted countries. Lastly, the active observer stressed that the use of “blended concessional finance” carried risks as well as benefits, noting that it had previously been used to benefit the private sector in donor countries at the expense of local development. Blended finance should not be encouraged at the expense of projects that served multiple social benefits, such as those aimed at enhancing gender equality or those with a “pro-poor” dimension.

296. The active observer for PSOs said that, in order to attract private sector finance at scale, more transparent project metrics were urgently needed so as to promote consistency and provide project developers with greater clarity on the investment criteria used by GCF. The active observer therefore welcomed the document and urged the Board to reach consensus on the draft decision. With regard to the grant element calculation, they welcomed the proposed introduction of a tool to calculate the appropriate level of concessionality for a range of financial instruments, as well as for private sector transactions, and agreed on the need for periodic review of such methodology, with input from the private sector. Similarly, on viability and economic and financial analysis of funding proposals, the observer encouraged the Secretariat to collaborate with AEs and private sector partners as soon as possible to develop standard parameters on discount and hurdle rates, as well as for the assessment of risk premia, in order to increase transparency with regard to project viability.

297. The Co-Chairs took note of the comments and invited the Secretariat to respond.

298. A representative of the Secretariat said that the comments and the wide range of views under the current agenda item had been taken into account. The Secretariat agreed that agenda sub-items 15(e) and (f), on concessionality and incremental cost, respectively, should be addressed using a more integrated approach so as to promote coherence and consensus. The Secretariat also agreed on the need for a technical and practical approach, which would include

consultation with AEs on their practical application of the tools offered by GCF, such as financial terms and conditions, investment criteria indicators, and a grant equivalent calculator.

299. The Co-Chairs proposed that the agenda sub-item be suspended to allow for a reconciliation of views on the outstanding issues.

300. Underlining the need for an efficient approach, three Board members proposed that the Board adopt a decision on agenda sub-items 15(e) and (f) together that would instruct the Secretariat to carry out further work on the interconnected issues of concessionality and incremental cost in advance of B.20; one suggested that the Board also consider including other interconnected matters in the same package of issues.

301. The Co-Chairs took note of the comments and proposed that Board members continue consultations on sub-items 15(e) and (f) on the margins of the meeting.

302. The agenda sub-item was suspended.

(e) Options for further guidance on concessionality

(f) Development and application of incremental cost calculation methodology and/or alternative methodologies

303. The Co-Chairs re-opened agenda sub-items 15(e) and (f) together and invited a representative of the Secretariat to take the floor.

304. A representative of the Secretariat introduced a revised draft decision covering both concessionality and incremental cost, and noted that a single document on the integrated approach between the two matters would be submitted to the Board at B.20.

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

306. A Board member requested that the Secretariat, when developing the proposed integrated approach, take account of the views of Board members as expressed during the discussion of agenda items 15(e) and 15 (f) at the current meeting, including the views regarding the rejection by some Board members of country-specific income classifications.

307. Another Board member wished to know whether the capacity-building mentioned in the draft decision would fall under the scope of the existing Readiness Programme and requested that, if so, it should not constitute a sixth distinct area of work. A separate Board member asked whether the time period for the submission of written comments by Board members would be two weeks or one month following the end of the current meeting.

308. A representative of the Secretariat agreed that the views of Board members would be reflected in the document, confirmed that the aforementioned capacity-building would indeed fall under the scope of the existing Readiness Programme without creating a new area of work, and stated that written submissions would be accepted from Board members through 30 March 2018.

309. A Board member said that the total number of funding proposals – including those that were likely to have been approved by GCF by the end of the current meeting – constituted a good basis for evaluation; they therefore requested that the integrated approach proposed in the draft decision include an analysis of the GCF portfolio.

310. A discussion ensued on whether or not the draft decision should include a reference to “international best practices”: one Board member underlined the need to learn from the experience of others and take international best practices into account as a baseline; another Board member maintained that opinions differed on what constituted “best practice” and called for GCF to establish best practice itself while “taking into account the innovative and useful experiences of other institutions”.

311. The Co-Chairs took note of the comments and requested the Secretariat take account of the views of both above-mentioned Board members when developing the proposed integrated approach. The Co-Chairs invited the Board to adopt the draft decision as amended.
312. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.
313. The Board took note of document GCF/B.19/12/Rev.01 titled “Concessionality: potential approaches for further guidance”.
314. The Board took note of document GCF/B.19/34 titled “Incremental cost methodology: potential approaches for the Green Climate Fund”.
315. 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;*
- (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

316. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/04/Rev.1 titled “Indicative Minimum Benchmarks” and the draft decision contained in annex I to the document. Noting that the document had been issued on 4 February 2018 as GCF/B.19/04 titled “GCF investment criteria indicators” and that the revised version (Rev.1) had been published on 25 February 2018, they invited the chair of the IC to take the floor.

317. The chair of the IC presented an overview of the document, noting the following main elements: in line with decision B.09/05, the IC had led the work under this agenda item with the support of the Secretariat and an independent consulting firm; based on their research, including the analysis of data from comparator funds, the IC had developed a proposed set of indicative minimum benchmarks, which were contained in the document. Given that the proposed approach was not based on “pass-fail” criteria, the IC recommended that the term “indicative minimum benchmarks” be replaced henceforth with the term “investment criteria indicators” to better reflect their purpose and function. Based on its mandate and the analysis undertaken, the IC had determined that the indicators would need to take into account varying national circumstances. With a view to implementing the indicators, the IC proposed that the Board adopt the draft decision, which would enable introduction of the investment criteria indicators on a pilot basis, pending review after a limited period to be decided by the Board. The IC recommended that the Secretariat report back to the IC, and subsequently to the Board, on the results no later than 18 months after the start of the pilot period.

318. The Co-Chairs opened the floor for comments, noting the need for the Board to determine the exact length of the pilot scheme.

319. Several Board members expressed support for the introduction of the indicators on a pilot basis.

320. A number of Board members expressed support for the proposal to replace the term “indicative minimum benchmarks” with the term “investment criteria indicators”.

321. Several Board members emphasized the importance of taking the national circumstances of countries into account in the application of the investment criteria indicators. With regard to the method used to distinguish the national circumstances of countries; some Board members objected to the explicit division of developing countries into two groups – namely LDCs, SIDS and African States in one group and all other developing countries in the other – and instead advocated a case-by-case approach.

322. A number of Board members said that the quantitative indicators contained in tables in the document could be seen as low targets to meet rather than absolute minimum standards, and thus they could discourage project proponents from aiming for higher targets; some suggested the removal of the tables in question from the document to facilitate consensus.

323. A Board member called on the Board to establish the required criteria and maintain them for a reasonable period of time in view of the difficulties faced by AEs in adapting to the constantly changing requirements that GCF funding proposals had to meet. They also noted that certain factors were difficult to quantify: for example, the impact of a natural disaster could not always be effectively measured by the number of lives lost.

324. With regard to country ownership, two Board members noted that not all countries had yet established NDCs; one proposed that nationally appropriate mitigation actions, national

adaptation plans (NAPs), and other country-level strategies should also be taken into account. One Board member said that the document should take into account Article 4.7 of the Paris Agreement.

325. Three Board members opposed adoption of the draft decision based on the comments above and said that before the aforementioned pilot scheme could be introduced, the document required further revision based on the views expressed by Board members.

326. A Board member requested the Secretariat to issue each Board document only once in future rather than issuing an initial document followed by a revised version.

327. The active observer for PSOs welcomed the proposal to introduce investment criteria indicators, which would provide greater transparency and thus encourage private sector engagement with GCF. They highlighted, however, that the principle of varying national circumstances could mean that every indicator came with a range of caveats, which would hinder the ability of GCF to efficiently process a large volume of funding proposals. They recommended the inclusion of sector-specific or thematic indicators to promote diversification across the GCF portfolio and allow for consistent and transparent evaluations of performance over time; this could also encourage the submission of more ambitious proposals from applicants by communicating preferred outcomes within a specific sector.

328. An active observer for CSOs welcomed the proposal that the indicators not be used on a “pass-fail” basis and must take into account varying national circumstances at every stage, including by setting a specific category for LDCs, SIDS and African States. They expressed concern, however, that certain proposed indicators would require a high level of technical expertise, and therefore called on the GCF to provide sufficient technical support for DAEs. The proposed indicator on “additional finance leveraged” should not be used because it was open to interpretation and could be understood as an implicit co-financing requirement; GCF should have no explicit or implicit co-financing requirements. The “adaptation impact indicator” should be reformulated to ensure it took account of slow-onset climate disasters in addition to extreme events. Lastly, country ownership indicators should take into account other climate plans and strategies in addition to NDCs, and should extend beyond government ownership to include broad stakeholder engagement.

329. The Co-Chairs took note of the comments and proposed that the draft decision be revised for submission later in the current Board meeting.

330. The agenda item was suspended.

331. The Co-Chairs re-opened the agenda item on the final day of the meeting and invited the chair of the IC to take the floor.

332. The chair of the IC said that the draft decision had been revised to explicitly state that the term “indicative minimum benchmarks” would henceforth be replaced by the term “investment criteria indicators”, and to request the Secretariat to submit a revised proposal on investment criteria indicators to the Board at B.20. The draft decision also requested the Secretariat take into account in the proposal any written comments received by the Board before 30 March 2018.

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

334. Seeing no objections, they took it that the Board wished to adopt the draft decision.

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

336. 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;
- (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

337. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/03/Rev.01 titled “Review of the structure and effectiveness of the independent Technical Advisory Panel” and the draft decision contained in annex I to the document. They invited the chair of the IC to take the floor.

338. The chair of the IC presented the document and introduced the key findings of the review, which had been carried out by an independent third-party consulting firm. They informed on the current status of the Technical Advisory Panel (TAP) following a recent increase in the number of funding proposals being processed by the TAP and the recent operationalization of the simplified approval process (SAP).

339. The Co-Chairs invited the Board to adopt the draft decision and opened the floor for comments.

340. Several Board members commended the TAP on its excellent work, particularly in view of its limited capacity. Many welcomed the document and expressed support for the recommendations contained therein.

341. Two Board members endorsed the recommendation in the document to compile a roster of experts with complementary skills to offer the TAP technical expertise on specific sectors and regions; two additional Board members said that the roster should include experts on REDD-plus and forestry; one Board member called for the inclusion of experts with in-depth knowledge of SIDS.

342. A Board member said that the views of the TAP should have been incorporated into the review. Another requested to hear the views of the TAP before adopting the draft decision.

343. A Board member called for efforts to ensure that capacity limitations did not lead to bottlenecks in the processing of funding proposals submitted under the SAP and suggested that proposals could be reviewed by the TAP on a rolling basis.

344. Two Board members expressed support for the recommendation that the TAP contribute to the development of GCF policies; several others questioned the viability of such an arrangement given the already heavy workload and stretched capacity of the TAP. Another Board member endorsed the recommendation that the Secretariat consult the TAP when developing new policies. A further Board member said that the role of the TAP may need to be re-evaluated if and when a two-stage proposal approval process were introduced.

345. An active observer for CSOs welcomed the recommendation to create a roster of experts to support the work of the TAP and to ensure consistent application of all criteria and sub-criteria. They echoed the concern expressed by the Secretariat that prioritizing certain investment criteria over others could have negative implications. While welcoming the proposed inclusion of gender and social development expertise under the roster of experts, the active observer said that the TAP should be expanded to include such experts as part of its core technical expertise. They supported the recommendation that the TAP be given more time to complete assessments and be involved at an earlier stage of in the approval process, especially in the case of DAE proposals. While the TAP should continue to assess all funding proposals, the review of the TAP should also be used as an opportunity to discuss the possibility of a differentiated approach for proposals structured under the enhanced direct access (EDA) scheme and the SAP.

346. The Co-Chairs invited representatives of the Secretariat and the TAP to take the floor.

347. A representative of the Secretariat said that for a period of two weeks in July 2017 an open request had been issued for Board members to participate in the review. During that period, 14 of 25 Board members (58 per cent) had volunteered to participate, including nine from developed countries and five from developing countries. A number of reminders were sent as the deadline for participation approached. The reviewers had deemed that the proportion of Board members who had participated was a sufficiently representative sample. In addition, responses had been received from 28 AEs (48 per cent of the total), 21 of which were from AEs whose proposals had undergone review by the TAP, and 48 NDAs (33 per cent of the total). With regard to timing and workload, the Secretariat was currently in discussions with the TAP on how the timelines for review of funding proposals could be modified to take into account the increasing workload.

348. The chair of the TAP said that the Panel had identified a need for additional expertise in REDD-plus and gender as well as on assessments of cost-economic analysis to perform its work to a high standard. As a part-time Panel with only six members residing in various continents, the limited capacity of the TAP was currently fully dedicated to the assessment of funding proposals; while the Panel would be willing to contribute to policy development if the Board saw fit, this would require additional time and resources. As part of the review of its structure and effectiveness, the TAP had been interviewed extensively by the independent consulting firm. The TAP had also shared its views on the findings of the review with the Secretariat and the IC. The TAP was an independent Panel that was free to share its expertise to assist the Board in its deliberations but which operated according to the guidance and policies of the Board. With regard to its technical expertise, the Panel endeavoured to remain flexible and independent so as to provide the Board with the best possible advice.

349. The Co-Chairs took note of the comments and invited the Board to adopt the draft decision.

350. There being no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

351. 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”.

352. 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 sub-criteria 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

353. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/13 titled "Policy on restructuring" and the draft decision contained in annex I to the document. They invited a representative of the Secretariat to take the floor.

354. A representative of the Secretariat gave a presentation outlining the policy contained in the document.
355. A Board member expressed support for the policy, which would allow for greater transparency when handling the restructuring of funding proposals; another said that the policy was acceptable as a temporary measure for a period of three years, pending further improvements based on experience gained during that time.
356. Emphasizing the high demand for GCF funding, a Board member proposed that whenever major changes needed to be made to an approved funding proposal, the Secretariat should systematically advise the Board to cancel the approved project to allow the associated funding to be released for allocation to other projects. In addition, the Board should not consider any waivers of the conditions it had attached to funding proposals, except in the case of force majeure.
357. Another Board member noted with concern that the policy did not specify the length of possible extensions of deadlines for compliance with conditions attached to funding proposals; they suggested that the maximum term for compliance with conditions imposed by the Board should be set at double the initial period specified at the time of approval. The Board member also said that whenever a major change to a project was proposed, a new no-objection letter should be automatically required from the NDA and obtained through a direct procedure rather than allow the Secretariat to determine whether or not a new no-objection letter was necessary.
358. An active observer for CSOs welcomed the efforts of the Secretariat to establish a clear policy on restructuring. Recalling the need to promote country ownership, the observer called for inclusion in the policy of a clause requiring AEs and the Secretariat to inform NDAs and focal points of any proposed major changes to, or restructuring of, an approved project or programme. That requirement should apply regardless of whether the Secretariat had determined that the proposed changes merited issuance of a new no-objection letter, thus allowing the NDA or focal point to arrive at their own judgement on whether additional documentation was required.
359. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.
360. A representative of the Secretariat said that the draft policy stipulated the point at which the Board must be informed of changes to funding proposals and the circumstances under which the Secretariat would recommend that the Board cancel an approved project. Any waiver requests relating to conditions imposed by the Board must be submitted for Board approval; the Board was thus at liberty to approve or reject those requests. Requests for waivers relating to other conditions could be resolved within the Secretariat. Specific changes relating to an FAA could be granted a deadline extension only once by the Secretariat; further extensions required Board approval. The Secretariat agreed with the proposal to review the policy after an initial three-year period. With regard to approval procedures for major changes, including obtainment of new no-objection letters, under the draft policy the Secretariat would do everything in its power to consult fully with NDAs, which it considered a high priority; nonetheless, given the lengthy no-objection procedures in certain countries, the Secretariat deemed it appropriate – in instances where conditions must be met within a limited time period to prevent a project from being cancelled – to work in parallel to both implement the necessary measures to ensure the conditions were met by the deadline while simultaneously seeking the no-objection letter.
361. The Co-Chairs opened the floor for further comments.
362. A Board member proposed that the policy be amended to require the Secretariat to consult with the relevant NDAs when deciding on the procedure for approval of major changes to a funding proposal.

363. Another Board member reiterated the need to establish maximum time periods for the extension of deadlines for compliance with conditions. On that and other matters they proposed to continue consultations outside the formal meeting to reach consensus among Board members.
364. The Co-Chairs took note of the comments and invited the Board to adopt the draft decision contained in annex I to the document.
365. A Board member requested additional time to carry out consultations on amending the policy contained in the document.
366. The Co-Chairs took note of the comment and proposed deferral of the agenda sub-item to a later point in the current meeting.
367. The agenda sub-item was suspended.
368. The agenda sub-item was not re-opened.
369. The Board took note of document GCF/B.19/13 titled “Policy on restructuring”.

(j) Revised policy on fees for accredited entities

370. The Co-Chairs opened the agenda item and introduced document GCF/B.19/29 titled “Policy on fees for accredited entities and delivery partners”.
371. They invited a representative of the Secretariat to give a presentation.
372. The representative provided an overview of the revised policy.
373. They informed the Board that the revised policy specified fees only for public sector grants, PPFs and the readiness programme, including NAPs, approved after B.19.
374. The revised policy proposed that fees for private sector projects and fees for non-grant public sector projects would continue to be negotiated on a case-by-case basis. The rationale for this was that supervising and monitoring the implementation of both private sector projects and projects financed by non-grant public sector funds often required different levels of effort and therefore should be considered and negotiated on a case-by-case basis.
375. The policy clearly differentiated between AE fees and the project management costs (PMCs); an indicative list of eligible costs to be covered as AE fees and PMCs was provided in annex III to document GCF/B.19/29.
376. The representative provided further details about the revised policy as follows:
- (a) It continued to propose a range of fees up to a certain cap, depending on project size, but it differed from the interim policy in introducing a reduced fees cap;
 - (b) It factored in more flexibility for fee disbursement with a greater percentage of fees disbursed upfront. This was based on AE feedback that a higher proportion of the cost was incurred by them upfront during project set-up;
 - (c) It required reporting and certification of AE fees, and proposed reporting these fees to the Board on an annual basis;
 - (d) It required PMCs be clearly shown as a separate component in the project budgets;
 - (e) It required that the percentage of PMCs financed by GCF not be more than the proportionate share of the GCF budget;
 - (f) It required detailed documentation and justification where: the PMC is more than 5 per cent for funding proposals that were greater than USD 3.0 million; or the PMC is more than 7.5 per cent for funding proposals that were less than USD 3.0 million; and

(g) In cases where the AE also undertook an executing entity (EE) role in the same project that it would serve as an AE, it required that this should be clearly identified in the funding proposals.

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

Discussion

378. Several Board members expressed support for the revised policy and commended efforts to ensure that GCF resources were used as efficiently as possible. One member described the policy as “a very good innovation”. At the same time, they suggested that it would have been useful to have more information about the past experience of GCF captured in the policy to make an informed decision. Another Board member, while supporting the policy, said that GCF could have been more aggressive with the fee schedule. Another noted that, as the institution matured, it was important for interim policies to be converted to permanent ones. Another said the interim policy had given GCF the opportunity to gain experience and apply what it had learned in the first phase of project approvals. GCF needed to continually challenge itself to be optimally efficient with an annual review; they looked forward to the first annual report. Another said that it was clear that GCF had initially set the level of AE fees too high. They shared their experience at the Adaptation Fund where fee levels had been reduced but delivery partners continued to do business with the Fund despite their opposition. It was now important to test the revised policy.

379. At the same time, one Board member observed that it was essential that such policies actually meet the needs of GCF and its partners. In this regard, the Board member said that from discussions with AEs in their region on the proposed fees, there was a concern that smaller AEs that operated in regions where the cost of doing business was high would be negatively impacted and possibly disincentivized from innovating; it was important that this did not happen. To this end, there was a certain level of flexibility that could be exercised in terms of exceeding some of these caps on fees if adequate justifications were provided. They wished to have this be confirmed and reflected in the policy to ensure that it was not inadvertently disincentivizing AEs from innovating and engaging in transformative approaches. However, another Board member wondered why some Board members wanted more flexibility in the AE fee schedule.

380. Another Board member raised a question on the proposed fees cap. Did the Secretariat envisage that GCF would impose a cap on fees up to a certain fixed percentage based on the project size? This relationship of the cap with the project size was also raised by another Board member who questioned whether another basis for the determination of fees should be used rather than basing the fees on the size of the project. They emphasized the need to also consider the kind of projects GCF wished to see; some might cost more due to the transformational nature or appeal of the project itself in terms of its overall alignment with GCF objectives.

381. A concern regarding Secretariat workload was raised by another Board member. They enquired if the case-by-case approach for dealing with private sector and public sector loans might consume too much Secretariat time; the application of the revised policy could be challenging given that the Secretariat would have to ensure comparable projects were treated in an equitable way. They asked if there were any principles and guidelines foreseen in the future that would apply for this category of proposals.

382. Some Board members made interventions regarding fees and PMCs. One Board member noted the improvements contained in the revised policy as it reflected some of the past Board discussions as well as current discussions in terms of what GCF was paying for under the fee, and the “new element” under the PMC. Another Board member sought a breakdown of fees stating that there were usually some hidden fees under project management in the project document that were not clear, leading to the conclusion that these costs were, in fact, fees.

Another said that they understood that there was some flexibility to move costs that were originally covered by fees under direct project costs (DPCs) to be covered by those under PMCs. As such, they wished to know exactly what the movement of such costs meant. Until such time as there was more clarity, they recommended leaving the current interim policy unchanged with the existing fee ranges but achieve a little more flexibility by inserting the words 'up to the fee maximum', allowing the Secretariat to consider the specifics of the project and take the necessary decisions relating to lower costs and fees.

383. The same Board member asked if the costs of developing and submitting concept notes could be covered under AE fees. Furthermore, they asked if an AE receiving funding for a PPF would also be entitled to receive an AE fee.

384. The Board member also raised a question regarding the practice of service providers or AEs charging 25 to 30 per cent fees under the Readiness and Preparatory Support Programme, despite the arrangement being the result of an earlier negotiation between the AE, NDA and service provider. They also stated that this was on top of management fees. They sought clarification on what was included and how it was calculated. In this regard, they requested greater clarity across the board, namely with regard to the project preparation, funding proposal, and Readiness and Preparatory Support Programme, respectively. This was a cause for concern as these were funds inclusive of fees intended for the beneficiary country and reflected outflows from GCF.

385. As such, they reiterated the need to clarify the definition of what constituted a fee and the importance for the budget to provide a clear breakdown and description of each budget line so that it was easy to determine whether it was a fee or not. The same should apply under the Readiness and Preparatory Support Programme and PPF.

386. Another Board member also requested more information for transparency purposes on the final negotiated fees for projects; currently the Board was able to see the fees in the funding proposal, but they noted the final negotiated fee could be different. For this reason, they said it was important that the Secretariat reported on the fees to the Board. They also stated a preference to see the actual agreed fee in the funding proposal itself rather than the requested AE fee.

387. Another Board member sought clarification about a situation where the AE additionally took on the role of an EE. They asked if there was one fee for the AE role and another fee for the EE role. They also requested clarification on whether detailed design costs were related to the cost of the project itself and not supervisory or oversight costs. As such, the Board member requested the Secretariat to clarify that the costs relating to the detailed design phase of the project were not part of the AE fee.

388. A Board member suggested exploring cost savings where the AE was also the EE, as caps could be applied on both the AE and PMC given that the AE collected the AE fee while the EE costs were factored into the PMC.

389. Another asked what methodology the Secretariat had used when determining the percentages set forth in the fee schedule. They emphasized the need for the proposed percentages in the fee schedule to also reflect the complexities of the project. These could be determined by considering the project theme. They further suggested that, in addition to the percentages proposed, it might be an idea to also state what the fixed cap amount (absolute figure) should be, irrespective of the outcome arrived at, after applying the proposed fee schedule percentage.

390. Another Board member highlighted the need for the revised policy to not supersede what was agreed in terms of the interim policy for grants. Noting that the case-by-case approach for private sector loans would now extend to public sector loans, they requested clarification that the amounts agreed for loans did not supersede what was agreed in terms of grants.

Furthermore, they asked why there were caps for grants and nothing for loans. They said there was no rationale or explicit reference to this in the policy, given that the existing and proposed policy had caps for grants. The latter point was echoed by another Board member who requested that the Secretariat explain the reason that a case-by-case approach for loans was deemed appropriate based on the Secretariat's experience.

391. A Board member expressed support for the introduction of a provision for "economies of scale" in the revised policy and the synergies that should be expected from AEs and DPs with more than five GCF projects. Another Board member sought clarification on the meaning of economies of scale for AEs that managed more than five projects and what were these economies of scale if they managed projects in different countries, such as in Uganda and Tuvalu.

392. The chair of the AC informed the Board that the revised policy also factored in the case of micro projects. For this category the fees cap may be increased to 10 per cent if the Secretariat considered there was a strong justification for increasing the percentage.

Observers

393. An active observer for CSOs commended the Secretariat on retaining an important approach from the interim policy, namely a fee structure that recognized that costs did not necessarily need to increase linearly as the project size increased.

394. They also commended a key feature of the revised policy relating to higher upfront disbursement of AE fees. This would benefit smaller DAEs that could not draw upon larger in-house staff in the same way that other multilateral agencies could.

395. They stated that civil society supported that the fees for medium- and large-scale projects be capped between 5 or 4 per cent, respectively.

396. However, they expressed concern that the proposed fee reduction for micro and small-scale projects could undermine the ability of DAEs to provide adequate resources for the proper supervision and implementation of the project while strengthening their own institutional capacity development. They expressed a desire to see fees for micro projects remain at 10 per cent while the fee for small projects should be at 8 or 8.5 per cent, which in both cases was higher than proposed.

397. A Board member shared the views expressed by the active observer for CSOs on the micro and small projects. They particularly drew the Board's attention to the fact that project costs and fees would increase as funding proposals needed to incorporate indigenous and gender policy requirements. They reminded the Board of the need to streamline and simplify processes instead of adding numerous layers of requirements and obstacles that would be difficult for the country, NDA, DAE and the Secretariat to comply with.

398. The Co-Chairs asked the representative of the Secretariat to respond to the points raised.

Secretariat responses

399. The representative provided the following responses:

- (a) Regarding the need to negotiate fees on a case-by-case basis for projects funded by the private sector and non-public sector grants, in the Secretariat's experience both required different levels of effort in monitoring the implementation of projects. Some of the structures, particularly the financing structures for private sector projects and for projects funded by public sector loans, were often very different and complex; therefore, the Secretariat considered it appropriate to negotiate the fees on a case-by-case basis;

- (b) Regarding the possibility that GCF might develop additional principles and guidelines for private and public sector grants, as GCF gained more experience with these projects the Secretariat would consider developing detailed guidelines in the future;
- (c) Regarding why fees proposed were only based on the GCF portion of funding and not on the total project size, GCF would expect the co-financiers to fund their administrative costs related to their own part of the funding;
- (d) Regarding concerns that the smaller AEs might not be able to recover their costs through the revised fees cap, the revised policy proposed a degree of flexibility in the fees cap for small projects whereby the fees could go up to 10 per cent. Therefore, for a USD 10 million grant, it would be possible for an AE to get AE fees of up to USD 1 million. The Secretariat considered this sufficient for the AE to cover its costs with the proposed increased flexibility;
- (e) Regarding the question of whether the revised fees cap was adequate to cover the costs related to achieving truly transformational, complex projects, there were three different cost categories in the revised policy. The first was AE fees, which were the fees to AEs for the supervision and monitoring of the implementation of the project. The second was PMCs, which were the costs for implementing the project and supervising the implementation. The third cost category was DPCs, which should allow AEs to pursue complex and transformational aspects of a project and charge any costs incurred;
- (f) Regarding clarification on the disaggregation of fees and what costs the fees should cover, annex III of the revised policy set out an indicative list of eligible costs that should be covered under both the AE fees and PMCs. The list was a major improvement on what was included in the interim policy on fees. Over time, GCF would grow and further cost definitions would be added;
- (g) Regarding clarification on what GCF was paying for under the AE fee and PMCs, respectively, annex III, paragraph (vi) of the document set out a list of eligible costs that were covered under the AE fees and PMCs;
- (h) Regarding whether the fees cap was implicit for private sector grants and projects funded by public sector grants, the Secretariat did not expect to see the fees cap being exceeded for private sector projects and projects funded by public sector loans. To date, based on the experience of GCF, the average AE fee for public sector grants had been 7.95 per cent whereas for the private sector it was 3.27 per cent. There was an expectation that AE fees for private sector projects would be considerably lower than for public sector grants;
- (i) Regarding whether the revised policy distinguished between fees for AEs that also played a role as EEs, annex III specifically set out the kind of costs that the AE could charge under the AE fees and what could be charged as an EE under PMCs. The revised policy required AEs that were also EEs to very clearly differentiate these costs;
- (j) Regarding how costs related to detailed project design were treated, these would be recognized as DPCs;
- (k) Regarding the reason that a case-by-case approach for loans was deemed appropriate, in the Secretariat's experience loans were more complex and thus needed to be negotiated on a case-by-case basis;
- (l) Regarding the reason the fees agreed in the term sheet could sometimes change and be different to what the Secretariat agreed to, in the future the Secretariat proposed that, if at all possible, before the funding proposal was submitted to the Board for approval the Secretariat would have already agreed the AE fees contained in the term sheet. The revised policy also proposed reporting on the AE fees to the Board on an annual basis;

- (m) Regarding the nature of engagement with AEs, the Secretariat noted that they had engaged with AEs in November and December 2017. Essentially the caps on fees in the paper that was distributed to AEs at that point were lower compared to what the Secretariat was presenting to the Board now, particularly for the small, medium and large projects. For example, for large projects GCF initially proposed a 3 per cent cap, but following feedback from the AE the Secretariat revised the cap to 4 per cent. For medium projects, the Secretariat initially proposed a fee cap of 4 per cent and then revised this to 5 per cent. Similarly, for small projects, GCF originally proposed a fee cap of 6 per cent and then revised it to 7 per cent following AE feedback. In addition, the AEs informed the Secretariat that the bulk of the costs were incurred upfront, so the Secretariat introduced flexibility in the revised policy so GCF could pay more of the AE fees upfront. The interim policy paid AE fees in instalments proportionate to the amount of the grant being paid;
- (n) Regarding the methodology used by the Secretariat to determine percentages in the fees schedule, this was based on the combined experience of working with AEs and looking at their cost base as well as on the report prepared by the independent consultants that the Secretariat hired to conduct the evaluation;
- (o) Regarding how the complexity of the project was addressed in the revised policy, the costs associated with the complexity of the project would not be covered under the AE fee but charged as DPCs;
- (p) Regarding the possible negative impact that the proposed fee reduction would have on micro and small-scale projects with smaller DAEs, as in paragraph 399(o) above, if the project was highly complex, these costs would not be covered under AE fees but charged as a DPC. As such, there was a degree of flexibility with the fees;
- (q) Regarding clarification on the meaning of economies of scale for AEs that managed more than five projects, the Secretariat noted that a number of larger AEs had centralized offices for dealing with GCF. Therefore, an AE that had up to 10 or 15 projects with the GCF had a certain amount of work to do that was covered by a central office, resulting in economies of scale. The Secretariat noted that the country offices would generally deal with a project whose cost activity was covered under the PMC;
- (r) Regarding how costs associated with the workshop for indigenous peoples were handled, these would be recognized as DPCs;
- (s) Regarding whether there was a limit for private sector grants, this was not capped in absolute numbers but in terms of percentages so there was no absolute cap on the level of fees that could be paid;
- (t) Regarding the high fees charged by the AE and service provider directly to recipients under the Readiness and Preparatory Support Programme, despite GCF agreement with the AE, fee caps would also apply to the service providers for the Readiness and Preparatory Support Programme; and
- (u) Regarding whether the PPF funds provided to the AE were accounted for in the calculation of the fees should the project be brought forward or whether this was a discrete element in the fees, the fee was included in the overall grant of USD 1.5 million, which is the maximum grant amount for PPFs.

400. Following the responses, a Board member proposed an amendment to annex II on the fee structure whereby there would be no change to the table as it currently stood but there would be the introduction of an additional footnote for small proposals that stated, "In case of small-size projects, a fees cap may be increased to 8 per cent if the Secretariat considered there was a strong justification for increasing the percentage."

401. The Co-Chairs asked the Board if this amendment was acceptable to the Board.
402. Another Board member raised a separate matter regarding the case-by-case approach for private sector projects and the need to specifically address that situation by adjusting paragraph 12 of annex III to say, “shall never exceed those in the table”. They also stated that the dual role of AE and EE should be taken into consideration for fee determination purposes.
403. Another Board member addressed the Board member’s proposal in paragraph 400. They were willing to support a fees cap of up to 8 per cent where it was well justified. In all cases in the table these were caps, which meant that the objective was to come in below the cap. There should be a clear justification if the fees were at the same level as the cap and a very strong justification if above the cap, for example, up to the amount where there was provision for flexibility. They looked forward to assessing this in the first report on this revised policy.
404. Another Board member asked whether the revised policy was open-ended or permanent.
405. The Secretariat replied that the policy would be revised in around two years as the GCF portfolio grew and the Secretariat gained more experience.
406. Another Board member proposed the policy be revised in four or five years.
407. The Co-Chairs informed the Board members of the amendments as follows:
- (a) The fees cap could be increased to 8 per cent where the Secretariat considered there was strong justification for small-scale projects;
 - (b) Paragraph 12 would be amended to state, “Private sector projects be negotiated on a case-by-case basis and ‘should never exceed those in the fee table’”; and
 - (c) The policy would be reviewed in four to five years.
408. A Board member asked for clarification regarding whether the amendment to paragraph 12 applied to grants.
409. The representative of the Secretariat clarified that this applied to private sector projects and projects financed by non-grant public sector funding.
410. Another Board member requested the review of the policy be shortened to two to three years to avoid damage to DAEs.
411. The decision was adopted as amended.
412. Following the adoption, a Board member requested that a representative of the Secretariat’s Private Sector Facility (PSF) respond to the proposal from the Board member regarding paragraph 12.
413. The Co-Chairs invited a representative of PSF to take the floor.
414. The Director of the PSF confirmed that they were comfortable with the proposed amendment.
415. The Board member who had raised the matter withdrew their objection.
416. The Co-Chairs confirmed that the decision, as adopted, stood.
417. The Board took note of document GCF/B.19/29 titled “Policy on fees for accredited entities and delivery partners”.
418. 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

421. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/06 titled “Environmental and Social Management System: Environmental and Social Policy”. Highlighting that three rounds of consultations had been held on the policy, and that the Secretariat had received a total of 50 submissions from 140 organizations, they invited the Board to adopt the draft decision contained in annex I to the document and opened the floor for comments.

422. Several Board members expressed support for the proposed Environmental and Social Policy and highlighted the critical importance for the Board to adopt it at the current meeting. Some noted that, while further improvements could be made to the policy, as the result of extensive and lengthy consultations it was ripe for adoption. One Board member highlighted the reputational risk to GCF in the absence of such a policy.

423. Board members suggested a number of amendments to the policy:

- (a) Improvement in the language on human rights and stakeholder consultations to achieve greater consistency with the Indigenous Peoples Policy (IPP) and draft Gender Equality and Social Inclusion Policy;
- (b) Consideration of the potential impact on communities as part of the environmental and social management system (ESMS) activities mentioned in paragraph 40;
- (c) Measures to avoid unnecessary duplication of procedures applying environmental and social standards (ESS);
- (d) Support for implementation of the policy for the relevant entities;
- (e) Broadening of the scope of the policy to include GCF suppliers and subcontractors to avoid undesirable indirect environmental and social impact along the value chain;
- (f) Inclusion of a reference to on-site verification in environmental and social management systems to ensure consistently high-quality data sets;
- (g) Greater emphasis, throughout the policy, on the need for GCF actions to be climate neutral; and
- (h) Due attention to capacity-building, both at the Secretariat and at implementing institutions, to ensure effective implementation of the policy.

424. A Board member requested deferral of the agenda item to allow for further consultations on the policy. Another Board member noted that the document had been submitted in advance of the publication deadline of 21 days before the Board meeting.
425. A further Board member said that the GCF should set a positive example by adopting an internal environmental policy to address the direct environmental impact of GCF operations, including Secretariat travel, office space and meetings. As part of that policy, the management of GCF assets held in trust should be consistent with the Paris Agreement and the pathway towards low GHG emissions and climate-resilient development.
426. Recalling paragraph 40 of the SIDS Accelerated Modalities of Action Pathway adopted in 2014, a Board member underlined the need to engage all stakeholders in climate action at the international, national, regional, sub-regional and local levels and stressed the importance of establishing the necessary environmental and social policy, gender policy and IPP to achieve that aim. Those policies would help GCF to fulfil its mandate of achieving a paradigm shift not only by applying international best practice but also by setting new standards.
427. An active observer for CSOs welcomed the adoption of the IPP earlier at the meeting and strongly urged the Board to also adopt both the gender policy and the environmental and social policy at the current meeting, since the three policies came as a complementary and mutually reinforcing package. If the Board were to approve more than USD 1 billion of funding at the current meeting without those policies in place, GCF would face significant reputational risks. It was those policies, not innovative financial intermediation, that would bring about the desired paradigm shift by ensuring that GCF funding reached the world's most vulnerable people and communities. Highlighting that the policies themselves would only be as good as their implementation, the observer called on the Secretariat to allocate appropriate resources to ensure effective implementation of all three policies.
428. The Co-Chairs took note of the comments and proposed that Board members engage in further consultations to revise the document for reconsideration by the Board later at the current meeting.
429. The agenda item was suspended.
430. The Co-Chairs re-opened the agenda item on the final day of the meeting and noted that a revised version of document GCF/B.19/06 had been circulated to Board members, both electronically and on paper. They invited a representative of the Secretariat to take the floor.
431. A representative of the Secretariat announced that the main changes made to the policy were:
- (a) The addition of references, throughout the policy, to transboundary risks and impacts and the inclusion of stakeholders in processes related to dealing with those impacts;
 - (b) The removal of references to specific categories of vulnerable and marginalized stakeholders, and the replacement thereof with general references to all vulnerable and marginalized stakeholders; and
 - (c) The addition of a footnote regarding retroactive application of the policy to ensure the policy did not conflict with any GCF obligations under existing AMAs.
432. The Co-Chairs invited the Board to adopt the draft decision contained in annex I to the document.
433. Seeing no objections, they took it that the Board wished to adopt the draft decision.
434. The Board took note of document GCF/B.19/06 titled "Environmental and Social Management System: Environmental and Social Policy".
435. 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

438. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/25 titled “GCF Gender Equality and Social Inclusion Policy and Action Plan 2018–2020” and the draft decision contained in annex I to the document. Noting that the document had been the subject of extensive discussions and numerous written submissions, the Co-Chairs invited the Board to adopt the draft decision.

439. Recalling that the existing GCF policy on gender had been adopted only three years previously, a Board member called for any new gender policy to be maintained for a longer period of time.

440. Two Board members said that certain provisions of the draft policy went beyond the scope of international conventions relating to gender and called for adjustments to bring the document in line with existing international norms. One Board member said that the policy lacked a description of the process to be used for gender analysis and expressed dissatisfaction with the definitions set out in paragraph 5 of the policy, particularly the definition of “gender”; they asked the Secretariat to clarify whether those definitions were in line with international conventions. The same Board member also called for respect for the traditions in societies that had been inherited from ancient civilizations. Another Board member said that they would be prepared to adopt the draft decision if the decision text were modified to state that the Board

would acknowledge the progress made in advancing gender balance and gender equality within the context of climate change policies and in line with individual country circumstances when applying its policy on gender to bring it in line with decision B.09/11, paragraph (a).

441. Two Board members stressed that the policy must be applicable in reality rather than serve a purely academic purpose; one specified that any requirement for entities to provide disaggregated data on sexual orientation should be removed from the policy given that most countries did not collect census data on sexual orientation.

442. Various Board members said that the document was already the product of much compromise and that, given the opportunity, they would rather it be further strengthened, for example to include more ambitious and measurable targets. In the interest of consensus, however, they were willing to approve the current version of the policy and urged the Board to adopt it.

443. A Board member said that through its Gender and Social Inclusion Policy, GCF should demonstrate its ability to spearhead transformational change. Two Board members called on the Board and the senior management of the Secretariat to set high ambitions for gender equality among both Board members and Secretariat staff, and to guarantee that all Board and Secretariat activities and interactions were free from any form of inequality or harassment.

444. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.

445. A representative of the Secretariat said that the definitions used in the policy had been established based on submissions from stakeholders and were in conformity with international norms. They also noted that the policy referred to project-level, gender-disaggregated data, which had no relation to sexual orientation. The main instrument for implementation of the policy would be the project-level gender and social inclusion action plans, which were very context specific and took full account of the policy landscape in the area of implementation. The representative took note of the comment made on the time period for review of the policy and noted that the proposed review of the policy after three years was based on a Board mandate to allow for ongoing improvements based on the experience gained through implementation of the policy. They also took note of the comments on improving the level of ambition of the results matrix. Lastly, the representative noted that both the policy and the action plan called for the development of operational guidelines for their implementation; those guidelines would address many of the concerns raised by Board members.

446. The Co-Chairs took note of the comments and proposed that the concerns expressed by Board members be reflected in the report of the meeting.

447. Two Board members stated that they wished their concerns to be taken into account in a revised version of the policy.

448. The Co-Chairs proposed that the agenda item be suspended and that consultations on the policy continue on the margins of the current meeting.

449. A Board member stated for the record that the text of the draft Gender and Social Inclusion Policy had not been negotiated by the Board.

450. The agenda item was suspended.

451. The agenda item was not re-opened at B.19.

452. The Board took note of document GCF/B.19/25 titled “GCF Gender Equality and Social Inclusion Policy and Action Plan 2018–2020”.

Agenda item 18: Indigenous Peoples Policy

453. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/05 titled “GCF Indigenous Peoples Policy” and the draft decision contained in annex I to the document.

454. They noted that, with regard to the policy, a total of 70 submissions had been received from the Board and from civil society entities, and 180 opinions had been received from indigenous peoples’ organizations. In addition, two rounds of public consultations and one round of Board consultations had been held on the policy. Stating that the policy was now mature for adoption, the Co-Chairs invited the Board to adopt the draft decision.

455. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

456. The Board took note of document GCF/B.19/05 titled “GCF Indigenous Peoples Policy”.

457. 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

459. The Co-Chairs opened the agenda item and drew the attention of the Board to 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.17–19, Add.24, 26 and 27, Add.28/Rev.02, Add.29/Rev.01, Add.30, Add.31/Rev.01, Add.32/Rev.01, Add.33/Rev.01 and Add.34 and 35. They noted that all funding proposals submitted for consideration by the Board at its current meeting had been recommended by both the Secretariat and the independent TAP, in line with decision B.17/09. In addition, the Secretariat had transmitted to the Board over 130 pages of questions and answers relating to queries submitted by the Board on the funding proposals in advance of the meeting.

460. Noting that a record number of funding proposals had been submitted for consideration by the Board at its current meeting, the Co-Chairs invited Board members to begin by making general comments on the whole batch of funding proposals before considering each funding proposal in turn.

General comments

461. Two Board members proposed that, following the initial general comments, the Board should consider all 23 funding proposals for approval as a single package.

462. The Co-Chairs responded that the funding proposals would be considered one by one, following a brief presentation of each proposal by the Secretariat. Comments on individual funding proposals should be kept brief, in view of the large number of proposals being considered; any substantive objections would need to be discussed outside the formal meeting.

463. Two Board members called for the establishment of a standard process for the consideration and approval of funding proposals, rather than approving them one by one on certain occasions and as a package on others. Another Board member said that the process was

already standard: during the first meetings at which funding proposals had been submitted for consideration by the Board, the proposals had been approved as a single package; subsequently, the Board had established a process of considering funding proposals one by one. Another Board member suggested that all funding proposals that did not carry any conditions imposed by the Secretariat or the TAP should be considered for approval as a package, and that proposals subject to conditions should be considered one by one.

464. The Co-Chairs took note of the comments and invited a representative of the Secretariat to take the floor.

465. A representative of the Secretariat presented a brief overview of the 23 funding proposals submitted for consideration by the Board at its current meeting.

466. The Co-Chairs invited the Board to make general comments on the current batch of funding proposals.

Approval process

467. Several Board members expressed satisfaction at the record number of funding proposals submitted for consideration by the Board at its current meeting. Many welcomed the new, improved and more transparent process according to which the Secretariat had published the various assessments of the funding proposals on the GCF website, carried out a “question and answer” process and issued two-page summaries of the proposals in advance of the meeting. Two Board members requested earlier publication of the aforementioned summaries in advance of B.20. A Board member noted with satisfaction that all official funding proposal documents had been published at least 21 days in advance of the meeting, as required, while two Board members requested earlier publication of funding proposal documentation, including the associated term sheets. One Board member requested that any proposals being resubmitted to the Board following initial consideration at a previous meeting should include specific information on the changes made since the first round of consideration. Another Board member requested the Secretariat to send Board members a copy of the presentation given by the Secretariat under this agenda item.

468. Highlighting the amount of time needed to consider such a large batch of funding proposals, a number of Board members emphasized the need for the Board to streamline its decision-making procedures, particularly given that the number of funding proposals submitted at each Board meeting was likely to further increase in the near future. A Board member called for face-to-face consultations on the funding proposals to be held in advance of each meeting, in addition to the written questions and answers already provided by the Secretariat. Two Board members called on the Board to discuss the establishment of a process by which funding proposals could be considered by the Board intersessionally. A number of Board members welcomed the publication of public sector concept notes and certain private sector concept notes (dependent on confidentiality) on the GCF website. Three Board members called for the swift establishment of a two-stage approval process while two Board members noted with regret that a discussion on the proposed two-stage process had not been included on the agenda for B.19.

469. Two Board members said that the documents provided to the Board by CSO observers at the current meeting contained useful comments that would have been helpful to receive in advance. They suggested that the Board take a decision allowing CSO comments on funding proposals to be published as official information documents in advance of Board meetings. Another Board member said that there was no basis in the Rules of Procedure for this action. One Board member requested the Secretariat to provide a legal opinion on whether that was indeed the case.

470. Several Board members noted with satisfaction that the current batch of funding proposals included the first proposal submitted under the SAP and looked forward to considering further SAP proposals at future meetings. Two Board members said that the prompt submission of proposal SAP001 – only a few months after the adoption of the SAP at B.18 – demonstrated the high demand that there had been for a simplified process. One Board member also called on the Secretariat to ensure that the rising number of such submissions did not create a bottleneck as a result of the limited capacity of the Secretariat and the TAP to process the proposals. Another Board member said that the TAP should be allocated additional time to perform its work, as well as additional support, including through the recruitment of experts in urban development and conflict sensitivity.

Quality and diversity of funding proposals

471. Various Board members noted with satisfaction that the overall quality and diversity of funding proposals had improved since previous Board meetings, in particular in the following areas: the climate rationale of the proposals was better justified on the whole; there was a growing trend towards using GCF funds to leverage private financing; a greater range of financial modalities were being used; some proposals had been submitted to the Board without conditions attached by the Secretariat or the TAP; the majority of proposals targeted the world's most vulnerable countries, including LDCs and SIDS; and a significant number of proposals had been submitted through. A Board member recalled the mandate of GCF to bring about paradigm shift and called for 2018 to be the “year of quality”. Another Board member underscored the need to guarantee high-quality proposals to maintain and strengthen the international reputation of GCF. One Board member said that the improvements to date represented a positive trend that could benefit the forthcoming replenishment process. One Board member said that the improvement in quality clearly demonstrated an increase in the capacity of the Secretariat and the TAP.

472. Notwithstanding the above-mentioned improvements, Board members identified a number of areas where further progress was needed on funding proposals, for example:

- (a) Negative or positive impacts on ecosystems should be clearly addressed in the assessments conducted by the Secretariat and the TAP;
- (b) All GCF projects should adhere to the guidelines of the Food and Agriculture Organization of the United Nations on pesticide management;
- (c) Greater clarity should be provided on the potential climate impact of projects;
- (d) Vulnerable target groups such as women and indigenous peoples should be more clearly defined;
- (e) Corruption risks should be assessed and mitigated;
- (f) ESS and gender dimensions of projects should be fully addressed;
- (g) Greater efforts should be made to promote transformative impact by ensuring complementarity and coordination among the range of GCF-funded projects over time;
- (h) A greater number of funding proposals should be developed to target results areas such as transport, forestry and ecosystems;
- (i) Requests for concessional finance should be better justified; and
- (j) Greater care should be taken to ensure the long-term sustainability of GCF-funded projects.

473. Noting that private sector proposals were currently clustered around renewable energy and energy efficiency, a Board member called for private sector proposals to target a greater

diversity of results areas. Another Board member underlined the need for a consistent approach to concessionality when dealing with public sector funding proposals that had private sector end beneficiaries and asked whether the Division of Mitigation and Adaptation (DMA) and the PSF were carrying out a joint review in such cases. A Board member welcomed the use of guarantees, which could mobilize large amounts of private sector funding at minimal cost; another Board member encouraged a disciplined and limited approach towards guarantees and called for them to be phased out over time.

474. Another Board member wished to know why a funding proposal for which the TAP had assigned low ratings for paradigm shift and sustainability had been recommended for Board approval. One Board member called for discussions on the accreditation framework to determine whether national DAEs could undertake regional funding proposals, and what to do if the funding requested by such proposals exceeded the amount for which the entities were accredited. Another Board member said that certain AEs and countries kept reappearing in the GCF portfolio and requested the Secretariat to prepare a document in advance of B.20 providing a clear overview and breakdown of the different countries, AEs, types of financial instrument and types of intervention covered by the current portfolio. One Board member asked why very few of the conditions attached to funding proposals by the TAP tended to be incorporated into FAAs.

Balance of the portfolio

475. Several Board members underlined the importance of establishing an adequate balance between mitigation and adaptation projects and called for an increased focus on adaptation. A Board member said that the current balance was acceptable for the time being but noted with concern that the pipeline of forthcoming proposals was more heavily skewed towards mitigation. Another Board member sought clarification on how the Secretariat accounted for cross-cutting projects in its assessment of the mitigation–adaptation balance of the portfolio. One Board member noted with satisfaction that, despite the frequently cited reticence of private sector entities to submit adaptation projects, the current batch of funding proposals contained a private sector proposal focused on promoting resilient agriculture (FP078); two Board members welcomed this adaptation proposal as a good model from which lessons could be learned; one called for efforts to increase private sector engagement with GCF. Another Board member called on the Board to provide further guidance to the Secretariat on how to distinguish adaptation projects from development projects; they also cited the risk of maladaptation and called for improved analysis and justification of the climate-related elements of projects to ensure that the GCF was fulfilling its mandate, and not simply funding agribusiness.

476. With regard to the geographical balance of the portfolio, a number of Board members expressed concern at the low proportion of funding requested at B.19 from African States; one noted the particular imbalance between Africa and the Asia-Pacific region. Two Board members called on the Secretariat to ensure that the under-representation of African States did not become a long-term trend. Another Board member also noted with concern the relatively low proportion of funding requested from the whole category of LDCs, SIDS and African States.

477. A number of Board members stressed the need to increase the number of funding proposals submitted by DAEs, particularly from LDCs and through the EDA mechanism. One said that the under-representation of DAEs in the portfolio stemmed partly from the low accreditation level of DAEs, which only permitted them to apply for small amounts of funding.

Policy issues

478. Several Board members underlined the need to develop and apply Board policies on a range of key issues to improve the quality of funding proposals, promote transparency and

allow for the consistent application of standards across all funding proposals; some said that the policies adopted to date and the work done at B.17 on policy issues had already achieved a positive effect in that regard, while noting that further progress was still needed.

479. Some Board members expressed concern that the principle of minimum concessionality was not being fully respected; one noted, for example, that many public sector proposals still relied on grants, some funding proposals lacked a convincing exit strategy for GCF, and the climate impact of certain proposals was questionable. A full set of policies would be required if the Board was to establish a more efficient proposal approval process. Another Board member expressed concern that requests for pure grant funding had been received from middle-income countries and stressed the need to provide the minimum level of concessionality required to make each project viable, in line with previous Board decisions. A number of Board members underlined that the populations of all countries were vulnerable to climate change and said that the level of concessionality granted for a project should not be defined by a country's income level but by the specific characteristics of the situation in question; they therefore requested the removal from funding proposal documentation of references to countries' income levels, in particular the term "middle-income countries". One said that some such distinctions stemmed from a misinterpretation of paragraph 52 of the Governing Instrument. Another Board member emphasized that concessionality was not a form of charity, but a unique advantage of GCF.

480. In addition to concessionality, Board members also stressed the need to establish, as a matter of priority, policies on co-financing; incremental cost; the distinctions between adaptation and development projects; biomass projects; and water projects; as well as the need to approve the GCF Environmental and Social Policy and the GCF Gender Policy and Action Plan, both of which had been submitted for consideration by the Board at its current meeting. A Board member also underlined the lack of existing guidelines on revolving funds and called on the Secretariat to determine, among other factors, how revolving funds established under GCF-funded projects would eventually be closed. Highlighting the need to ensure that the benefits of GCF concessionality were fully transmitted to the beneficiaries of the projects, a Board member expressed concern that GCF did not currently verify the financial terms and conditions (including interest rates and grace periods) attached to the loans issued by AEs to other entities or individuals as part of GCF projects; they therefore called for measures to be introduced to ensure that the benefits of concessionality were fully passed on to the target beneficiaries, to prevent AEs from making a profit from GCF projects.

481. Highlighting the potential role of IEU in assessing the existing portfolio to provide useful information for policy guidance, a Board member called for approval of the IEU workplan and budget at the current meeting.

Comments from observers

482. On the approval process, an active observer for CSOs said that the large number of funding proposals submitted for Board consideration at the current meeting would hinder the ability of the Board to consider them thoroughly. They also called for all documents related to funding proposals to be published further in advance and requested more detailed information on stakeholder engagement, including through the publication of stakeholder engagement plans as annexes to project documents. The active observer welcomed the new process of publishing concept notes and asked whether a mechanism was in place for CSOs to provide feedback on the concept notes. They called for swift progress to introduce the proposed two-stage approval process and for finalization of the review of the observer participation process. Furthermore, civil society stakeholders should be engaged at an earlier stage of the project cycle, and relevant documentation should be provided in all six official languages of the United Nations, as well as in the relevant local languages.

483. With regard to the funding proposals under consideration, the observer said that certain proposals lacked a comprehensive gender action plan to accompany the gender analysis, demonstrating the need to approve the draft GCF Gender Equality and Social Inclusion Policy and Action Plan at the current meeting. Projects with a revenue-generating element should not be automatically disqualified from grant assistance, and the revenue from such projects should remain in the hands of the beneficiaries. The observer expressed concern at the proposed use of GCF resources as a risk guarantee in certain proposals submitted by multilateral development banks (MDBs), and as co-financing for certain proposals that were based on “business as usual” macroeconomic development approaches and to which climate components appeared to have been added as an afterthought. Noting with concern the rising number of biomass projects under consideration for GCF funding, the observer said that biomass energy had a high potential for adverse impacts on the climate, environment, health and human rights, and had questionable mitigation benefits. GCF should therefore develop clear sectoral guidelines on the use of biomass in GCF-funded projects. The observer expressed further concern at the increasing number of proposals using public-private partnerships, a model that lacked transparency and offered potential channels for corruption, and at the “currency swap” proposed in FP065, which would reduce the concessionality of the lending; they underlined that the impact of such currency hedging opened a much broader policy issue for GCF that should be discussed.

Response from the Secretariat

484. The Co-Chairs took note of the comments and invited a representative of the Secretariat to take the floor.

485. A representative of the Secretariat said that many comments had been received in writing from civil society and private sector observers on both public and private sector funding proposals; consultations within the Secretariat were ongoing on the method that would be used to compile the comments and disseminate them later the same day. The term sheets for the public sector funding proposals had already been sent to the Board electronically; confidential term sheets for the private sector funding proposals had been printed and distributed to Board members. With regard to the conditions attached to funding proposals by the TAP, the only conditions that were carried through to the FAA stage were those that had not been resolved in advance of the FAA being signed. As at November 2017, all public sector concept notes were available for Board members to review; private sector concept notes were also available on request. DMA and PSF now engaged in extensive coordination on various issues, including on how to increase GCF engagement with private sector companies, particularly in the field of adaptation; more private sector funding proposals on adaptation were expected to be submitted to the Board at future meetings. In addition, a meeting of the PSAG would be held at GCF Headquarters at the end of the current Board meeting. Lastly, the Secretariat recognized the high proportion of energy projects in the portfolio and was actively seeking to achieve greater diversification.

Consideration of public sector funding proposals

Funding proposal 059 titled “Climate-Resilient Water Sector in Grenada (G-CREWS)” by Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH

486. The Co-Chairs opened funding proposal 059 (FP059), as contained in document GCF/B.19/22/Add.01 and Add.31/Rev.01.

487. A representative of the Secretariat introduced FP059, which contained a request for a grant of EUR 35.3 million to address two of the major climate risks and vulnerabilities facing

Grenada, namely freshwater availability and disaster preparedness, by improving water governance, bringing about changes in water use in households and businesses, and improving the water supply system.

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

489. A Board member raised several questions. First, they noted that this was the third time that Grenada had sought assistance from GCF; one project had been approved by the Board at a previous meeting and two projects, including FP059, had been submitted at the current meeting. They wished to know what coordination and coherence had taken place with other Grenada projects. Secondly, in the case of this project and the other project (FP061) submitted for consideration at B.19, the planned project was a response to an extreme weather event but there appeared to be no insurance scheme to protect the project in the event of another hurricane or typhoon that could wipe out GCF investment. Lastly, they raised a procedural issue regarding the extension of an FAA for FP021 (Senegal Integrated Urban Flood Management Project). The AE requested a waiver from the Board on the extension of services to households. The Board member noted a similarity with FP059 without any condition or objection on the services being extended to farmers. The Board member requested clarification from the TAP on the issue.

490. A representative of the Secretariat explained that this project had as a focus the public sector water supply, whereas the Senegal Integrated Urban Flood Management Project focused on public sector housing. Regarding the question of coordination between other Grenada projects, the DMA had worked with CPD to ensure that there was no overlap. They noted that the Secretariat was also dealing with other countries that had more than one project. Furthermore, the Secretariat was working with the AE to ensure that the projects were aligned with the needs of the country, especially their NDCs and country plans. The representative asked the Co-Chairs whether the TAP could respond to the question regarding plans to mitigate future natural disasters.

491. A representative of the TAP informed the Board that the proposed infrastructure was designed to be resistant to extreme weather events and that TAP members had viewed this as a model project. Grenada was a country with a water utility that was operating effectively. There were low water losses (non-revenue water) and high coverage of micro-metering. Despite being a well-run utility, every time the country faced an extreme weather event there was a water shortage. The representative also noted that the Senegal Integrated Urban Flood Management Project referenced by the Board member addressed sewerage infrastructure, while this was a project related to drinking water availability; most of the funding would be used to build resilience rather than to connect domestic homes to water sources.

492. The Board member thanked the Secretariat and the TAP for their responses and asked whether an irrigation scheme was proposed in the project or whether the project was purely for improving drinking water availability.

493. The representative of the Secretariat confirmed that it was a drinking water project and that an irrigation scheme was not involved.

494. There being no objections or further comments, FP059 was approved.

Funding proposal 060 titled “Water Sector Resilience Nexus for Sustainability in Barbados (WSRN S-Barbados)” by the Caribbean Community Climate Change Centre

495. The Co-Chairs opened funding proposal 060 (FP060), as contained in document GCF/B.19/22/Add.02 and Add.31/Rev.01.

496. A representative of the Secretariat introduced FP060 from the Caribbean Community Climate Change Centre, which requested USD 27.6 million in grants to increase the resilience of

Barbados' water sector to climate change through investment in solar photovoltaic energy for the pumping systems and a revolving fund for adaptation activities.

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

498. One Board member said that, although they supported the project, they had been somewhat delayed in submitting a number of technical comments in relation to this proposal. They would submit those comments in writing to the Secretariat for further consideration; none of the comments required that conditions be added.

499. Another Board member expressed support for the proposal and considered that it constituted a good precedent for water-scarce countries.

500. There being no objections or further comments, FP060 was approved.

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

501. The Co-Chairs opened funding proposal 061 (FP061), as contained in document GCF/B.19/22/Add.03 and Add.31/Rev.01.

502. A representative of the Secretariat presented FP061 from the Department of Environment of Antigua and Barbuda, which requested USD 20 million to pilot three funding mechanisms to increase the resilience of infrastructure and other sectors in three SIDS in the Caribbean.

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

504. Two Board members expressed support for the proposal, in particular given that it was the first to have been submitted under the EDA RFP from SIDS. They noted with satisfaction its innovative character and its potential to build the capacity of DAEs and devolve decision-making to them, thus reinforcing country ownership, as well as its similarities with the Global Environment Facility (GEF) Small Grants Programme.

505. Two Board members echoed a concern noted in the Secretariat assessment that the implementation of the project across three countries would entail high risks. They therefore requested further information on: how the risks resulting from the seemingly complicated implementation arrangements in the three countries would be managed; the oversight ability of the AE; and justification for why the activities in component 1 appeared to mirror readiness activities (i.e. helping EEs to become AEs).

506. An active observer for CSOs expressed strong support for the funding proposal, which was in compliance with the terms of the EDA RFP, for example with respect to its multi-stakeholder decision-making bodies. They praised the proposal's learning potential for replication and upscaling in other countries, its adequate use of financial instruments to reach the various beneficiaries, and the fact that the proposal tested the paradigm shift potential of the EDA approach. They also welcomed its work to improve the governance structures of the EEs with the midterm goal of their accreditation. The observer said that civil society was opposed to the suggestion in the Secretariat assessment that a loan may be a more appropriate instrument for the adaptation facilities, taking into account the vulnerability of the three countries and the impact of the recent hurricanes. They also opposed the long list of conditions imposed by the TAP, which in their view imposed excessive micromanagement.

507. The Co-Chairs took note of the comments and invited a representative of the Secretariat to take the floor.

508. A representative of the Secretariat said that component 1 of the proposal was aimed at strengthening the governance mechanisms for the funds set up by components 2 to 4, as well as providing capacity-building for the EEs. While such activities were similar in scope to readiness activities, it was considered cost-effective to deliver them within the context of a funding proposal.

509. Two Board members said that they wished to engage in further consultations with the AE and the Secretariat to resolve their concerns related to implementation risks, capacity and the oversight ability of the AE.

510. The Co-Chairs adjourned the discussion to allow for consultations.

511. On the final day of the meeting, the Co-Chairs reopened the Board's consideration of FP061. They announced that Ms. Diann Black-Layne, Adviser to the developing country Co-Chair, was recusing herself from the discussion to avoid a potential conflict of interest in view of her position as Head of the Department of Environment of Antigua and Barbuda (the AE), one of the recipient countries included in FP061. The Co-Chairs also noted that FP061 carried no additional conditions.

512. A Board member enquired as to whether the original conditions attached to FP061 by the TAP had been maintained.

513. The Co-Chairs confirmed that this was the case.

514. A Board member said that their advisers had engaged in valuable consultations with the AE, which had greatly helped in their understanding of the design of the project and had ultimately enabled them to offer their endorsement to the funding proposal. With that in mind, they requested that, in future, Board members and their advisers be given the opportunity to hold similar consultations with AEs in advance of Board meetings.

515. The Co-Chairs took note of the comments and invited the Board to adopt FP061.

516. There being no objections, FP061 was approved.

Funding proposal 062 titled "Poverty, Reforestation, Energy and Climate Change Project (PROEZA)" by the Food and Agriculture Organization of the United Nations

517. The Co-Chairs opened funding proposal 062 (FP062), as contained in document GCF/B.19/22/Add.04 and Add.31/Rev.01.

518. A representative of the Secretariat presented FP062, noting that the proposal was being submitted to the Board for the second time following a revision of the initial proposal which had been considered by the Board at B.18. The representative presented the main revisions and stated that the aim of the project was to achieve both mitigation and adaptation results while reducing poverty among the poor and extremely poor communities in eastern Paraguay. The requested GCF funding had been reduced from USD 44.5 million to USD 25.1 million, and the co-financing leveraged by the project was now USD 65 million.

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

520. The active observer for CSOs stated that they welcomed components 1 and 3 of the proposal. However, they remained concerned about component 2. They noted that there was still a strong focus on eucalyptus. Furthermore, the feasibility study still highlighted the use of exotic species. The observer requested that there be an explicit guarantee in the FAA that the PROEZA project would not promote or otherwise incentivize the planting of eucalyptus or any other potentially harmful exotic and invasive species in Paraguay. An environmental impact assessment and growth curves of the forest species that could be used in the PROEZA project should be part of the proposal due to their potential social and environmental impacts and their effect on the overall project outcomes.

521. They also requested that, as a condition for this project to go forward, an estimate should be provided of how the biomass produced under component 2 would be used. A large part of biomass production was aimed at dry soy beans and the soy sector was one of the main drivers of forest loss in eastern Paraguay. Therefore, there was concern among Paraguayan-based groups that component 2 could ultimately lead to the promotion of the production of biomass plantations for the soy sector for the drying of soy beans. Lastly, they said that a number of environmental organizations had not been properly consulted.

522. A representative of the Secretariat stated that the PROEZA project had been prepared in compliance with GCF ESS and was hence compliant with GCF policies. The use of fast-growing species in the models would be implemented in line with global standards and best practices. The Secretariat believed that the issue of the environmental impacts of planting models had been addressed.

523. Regarding biomass, estimates of biomass use for the specific project activities may be similar to national figures. The project did not produce biomass for a specific industry or sector. The monitoring of biomass use was outside the implementation period of the project. The models had a cycle of 7–10 years and the project period was 5 years. Component 2 was an integral part of the project. There were no existing GCF policies that excluded biomass activities. In terms of GCF policies, there was currently no basis for the condition proposed by the active CSO observer.

524. Concerning environmental impact assessments, these had been completed during project preparation. The environmental and social management framework, including the environmental impact assessment, had been produced and disclosed as part of the project. The requirement of the proposed condition had therefore already been addressed during the project preparation phase.

525. The representative of the Secretariat stated that stakeholder consultations with different groups and potential beneficiaries in Paraguay had been conducted and documented. During project implementation, there would be further consultations with stakeholders, particularly indigenous groups, as agreed with them.

526. There being no objections or further comments, FP062 was approved.

527. Following the approval of the funding proposal, the Co-Chairs wished to recognize Mr. José R. Molinas Vega, Minister of the Technical Secretariat of Economic and Social Development Planning of the Government of Paraguay, in the observer room. They congratulated the Minister and expressed thanks for the interest expressed by the Government of Paraguay in GCF.

Funding proposal 063 titled “Promoting private sector investments in energy efficiency in the industrial sector in Paraguay” by the Inter-American Development Bank

528. The Co-Chairs opened funding proposal 063 (FP063), as contained in document GCF/B.19/22/Add.05 and Add.31/Rev.01.

529. A representative of the Secretariat introduced FP063 from the Inter-American Development Bank, which requested USD 23 million in loans and grants for promoting investments in energy efficiency in small and medium-sized enterprises (SMEs) in Paraguay.

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

531. There being no comments or objections, FP063 was approved.

Funding proposal 064 titled “Promoting risk mitigation instruments and finance for renewable energy and energy efficiency investments” by the Inter-American Development Bank

532. The Co-Chairs opened funding proposal 064 (FP064), as contained in document GCF/B.19/22/Add.06 and Add.31/Rev.01.

533. A representative of the Secretariat introduced FP064, which contained a request for USD 3 million in grants and USD 100 million in loans to scale up investments by SMEs in renewable energy and energy efficiency in Argentina. The project aimed to strengthen the capacity of financial institutions, SMEs, and energy and technology providers in the country; help SMEs to identify and make investments in renewable energy and energy efficiency; and make financing available for local financial institutions and SMEs for targeted renewable energy and energy efficiency investments.

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

535. There being no comments or objections, FP064 was approved.

Funding proposal 065 titled “Financial Instruments for Brazil Energy Efficient Cities (FinBRAZEEC)” by the World Bank

536. The Co-Chairs opened funding proposal 065 (FP065), as contained in document GCF/B.19/22/Add.07 and Add.31/Rev.01.

537. A representative of the Secretariat introduced FP065, which contained a request for USD 195 million in GCF financing and aimed to provide an off-balance sheet financial solution for energy efficiency projects in Brazil. The project would mix public and private sector finance to provide a substantial injection of funds in demand-side actions to promote a reduction in energy consumption in the country.

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

539. An active observer for CSOs expressed concern over the financial structure proposed for the street lighting component of the project and cautioned that public-private partnerships did not necessarily reduce the indebtedness of municipalities and should always be evaluated thoroughly. In that connection, they said that the proposed technical assistance component appeared to be too low to ensure that the target municipalities would be able to engage in project preparation and be actively involved in developing public-private partnership terms that were favourable to them. They also noted with concern that the proposal did not set criteria to prevent the investment of project funds in energy-intensive industries, which would create a significant reputational risk to GCF; to address that issue, the observer proposed that an exclusion list of organizations that were not aligned with the mission of GCF should be included as a condition for approval of the project, as well as in the FAA for the project. In addition, a number of significant elements were lacking from the proposal’s gender action plan.

540. A Board member expressed concern at the “medium” efficiency rating of the proposal’s financing structure and stated that the project could achieve the same impact with more funding from the World Bank and less funding from the GCF. Noting that a significant proportion of the proposals in the current batch were rated as “medium” for efficiency and effectiveness, the Board member called for greater efforts to maximize the value for money obtained by all GCF investments. They reiterated the need to establish a full set of policies relating to the approval of funding proposals to improve the cost efficiency of funding proposals. Despite those concerns, the Board member would be willing to join a consensus to approve the funding proposal, based on its high potential for impact and paradigm shift.

541. Also expressing concern over the cost-effectiveness of the funding proposal, another Board member requested clarification on the lifespan of the project, in order to better understand its projected annual savings of carbon dioxide (CO₂). Noting that the amount of co-financing was under negotiation, the Board member also asked how likely it was that the co-financing figure stated in the funding proposal would be secured, and whether there was a

contingency plan; for example, would the AE seek further financing from GCF if the planned co-financing was not secured?

542. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.

543. The representative of the Secretariat took note of the concerns raised by the active observer for CSOs and stated that detailed responses from the AE would be communicated to the active observer in writing. In brief, the representative clarified that the term sheet for the funding proposal contained provisions that would prevent GCF funds from being invested in the mining or refining of fossil fuels. The lifespan of the entire project was 15 years, while the streetlight component would last 8 years and the industrial energy efficiency component would last 13 years. With respect to the concern regarding co-financing, the representative said that the planned additional grant funding for liquidity reserve was expected to be secured but remained subject to approval; the Secretariat would provide more information bilaterally to the Board member who had raised the concern.

544. A Board member requested information on the project's annual GHG emission reductions, so as to better understand the cost effectiveness of the project, and stated that those figures should be included in all mitigation proposals.

545. The representative of the Secretariat replied that the information requested was already available in the full text of the funding proposal but had been omitted in error from the presentation slide.

546. The Co-Chairs invited the Board to approve FP065.

547. There being no objections, FP065 was approved.

Funding proposal 066 titled "Pacific Resilience Project Phase II for RMI" by the World Bank

548. The Co-Chairs opened funding proposal 066 (FP066), as contained in document GCF/B.19/22/Add.08/Rev.01 and Add.31/Rev.01.

549. A representative of the Secretariat introduced FP066, submitted by the World Bank, which contained a request for USD 25 million in grants for the second phase of the Pacific Resilience Programme, which would invest in coastal protection and management, early warning, and funds for emergency response in the Marshall Islands.

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

551. A Board member requested clarification on the relationship between the first and second phases of the programme. They also noted that many countries with larger areas and populations than the Marshall Islands were also threatened by the effects of climate change and expressed the hope that proposals from those countries would be treated on an equal footing with FP066.

552. A representative of the Secretariat said that the first phase of the programme had been a regional project involving the Marshall Islands, Samoa, Tonga and Vanuatu, and had focused on developing a regional platform to strengthen early warning and preparedness systems in the Pacific region by building common approaches for disaster risk management, climate resilience and knowledge sharing across Pacific Island countries. The Marshall Islands was where the ex-ante disaster financing and insurance mechanism had been developed, thus setting it apart from the other recipient countries covered by the programme.

553. The Co-Chairs took note of the comments and invited the Board to approve FP066.

554. There being no objections, FP066 was approved.

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 World Food Programme

555. The Co-Chairs opened funding proposal 067 (FP067), as contained in document GCF/B.19/22/Add.09 and Add.31/Rev.01.

556. A representative of the Secretariat introduced FP067, which contained a request for USD 9.2 million in grants from GCF to build the adaptive capacity of the most vulnerable and food-insecure communities in three regions of Tajikistan, in order to help them to adapt to the various impacts of climate change, including droughts and floods, through an integrated approach which included the provision of climate information services, capacity-building, sustainable water management and resilient agriculture and forestry.

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

558. There being no comments or objections, FP067 was approved.

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

559. The Co-Chairs opened funding proposal 068 (FP068), as contained in document GCF/B.19/22/Add.10 and Add.31/Rev.01.

560. A representative of the Secretariat introduced FP068, explaining that the project included a request for USD 27 million in grants from GCF to reduce the climate risk facing Georgia’s communities, livelihoods and infrastructure by developing and implementing a nationwide impact-based multi-hazard early warning system, developing and delivering robust climate information services, and implementing community-based climate risk reduction measures.

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

562. A Board member, who supported the project, requested a number of clarifications. First, they wished to know how well the early warning system might work and against what baseline results would be measured. They also wondered if the early warning system could be localized to a small geographic area. They suggested that if the answer was in the affirmative, it was probable that many countries could present similar proposals to GCF. They also wished to know from the TAP whether the early warning system could operate at the country level or whether it was more advantageous for it to operate at the regional level. If the latter were the case, they asked how a country like Georgia could access the information.

563. The Co-Chairs invited a representative of the TAP to take the floor.

564. The representative informed the Board that the existing hydromet system was weak, as was coverage, and that this project would modernize it. It would then be possible to connect the system via satellites to advanced models that were available globally. In total, 1.7 million people would directly benefit from this dissemination process.

565. On the question of whether the project could operate at the national or the regional level, there were regional-level modelling options, but these required precise real-time data handling at the country level. This project aimed to achieve this at the national level with a large capacity-building programme that would also enhance the capacity of local institutions.

566. The Board member thanked the representative of the TAP for the clarification. They noted that the project would enhance Georgia’s ability to access data, which they hoped would include World Meteorological Organization (WMO) data, and provide modern equipment to speed up the processing of such data. If this was the case, they proposed that GCF should

publicize this as one of its main activities (i.e. enabling countries to be competent at modelling, something which could be problematic at a localized level). Countries should be provided with modern equipment to enable them to access data banks on a sustainable basis. Lastly, they asked the representative of the TAP who would bear the operational and maintenance costs and manage them; would it be a special fund?

567. The representative of the TAP stated that WMO was involved in the project, as highlighted in the funding proposal, and as required for an operations and maintenance component. The TAP had recommended that the AE invite WMO to the steering committee so that learning and sharing would continue.

568. There being no further comments and no objections, FP068 was approved.

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

569. The Co-Chairs opened funding proposal 069 (FP069), as contained in document GCF/B.19/22/Add.11 and Add.31/Rev.01.

570. A representative of the Secretariat introduced FP069, which contained a request for USD 24.9 million in grants from the GCF. The project was aimed at strengthening the adaptive capacity of coastal communities, especially women, to cope with the impact of climate-induced salinity on their livelihoods and water security.

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

572. There being no comments or objections, FP069 was approved.

Funding proposal 070 titled “Global Clean Cooking Program – Bangladesh” by the World Bank

573. The Co-Chairs opened funding proposal 070 (FP070), as contained in document GCF/B.19/22/Add.12/Rev.01 and Add.31/Rev.01.

574. A representative of the Secretariat introduced FP070, which included a request for USD 20 million in grants from GCF to help remove barriers to the creation and maintenance of a sustainable market for the adoption of improved cooking stoves in Bangladesh.

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

576. An active observer for CSOs stated that they had a number of concerns that they requested be addressed prior to approval. First, consumers and households would be paying the full market price of improved cookstoves, which was higher than traditional cookstoves. There should be subsidies to ensure that households, especially the rural poor, could have access to finance to purchase improved cookstoves. Secondly, there was a substantial risk that the private sector would monopolize stove sales compared with local non-governmental organizations and entrepreneurs. Support should therefore be provided to those groups. Thirdly, local entrepreneurs, especially women, could play a significant role as suppliers. Support, such as a loan package and trainings, should be provided to local female entrepreneurs to increase women’s access to the market as suppliers of improved cookstoves. Lastly, consultation with women in rural households had been lacking.

577. A representative of the Secretariat said that affordability was an issue and noted that improved cookstoves were priced at between USD 5 and USD 25, resulting in a low margin from which little profit could be made. It was therefore unlikely that there would be significant interest from the private sector. The Secretariat could provide detailed answers to the concerns raised by civil society.

578. The Co-Chairs requested that the Secretariat provide this information to the active observer for CSOs outside the plenary session.

579. A Board member expressed concern regarding the high level of GCF concessionality, given that GCF was providing a grant of USD 20 million, which was being combined with a USD 20 million loan from the World Bank.

580. Another Board member expressed surprise that the World Bank was the AE for this project, given the fact that there were perhaps 1 billion households globally in need of improved cookstoves. The Board member sought clarification on: (i) the basis for the calculation of CO₂ savings, given that households were using animal dung or wood; (ii) the transaction costs; (iii) whether local financial intermediaries such as Grameen Bank would be used; (iv) how individuals who were remote would be reached; and (v) the operating costs for this type of project, which was an important factor when considering replicability.

581. In response to the points raised, a representative of the Secretariat said that, with regard to efficiency, biomass was the predominant source, including fuelwood (42 per cent), cow dung and crop residues. Of fuelwood, 83 per cent was non-renewable. It was expected that 35 per cent of new cooking stoves would directly contribute to GHG emission reductions. Each stove reduced the use of the other fuels by up to 50 per cent. With respect to local partner organizations, the project would be implemented with partner organizations, most of whom were non-governmental organizations and local companies specializing in these products, and the cookstoves would be installed as per the technical standards set by the project. Such organizations would also be required to build awareness and stimulate market demand along with supply chain development. Lastly, with regard to project management costs, the Secretariat would share information on these with the Board member.

582. The Co-Chairs requested the Secretariat to share this information with the Board member outside the plenary session.

583. Another Board member noted that this project was highly relevant in terms of gender. They requested that the role of women in this project be closely monitored by the Secretariat at all stages of its implementation.

584. There being no further comments and no objections, FP070 was approved.

Funding proposal 071 (FP071): “Scaling up energy efficiency for industrial enterprises in Vietnam” by the World Bank

585. The Co-Chairs opened funding proposal 071 (FP071), as contained in document GCF/B.19/22/Add.13 and Add.31/Rev.01.

586. A representative of the Secretariat introduced the proposal, which was designed to help to overcome market barriers to energy efficiency investment in Viet Nam, one of the most energy-intensive countries in East Asia. Guarantees (USD 75 million) and grant financing (USD 11.3 million) represented 17.4 per cent of the total project cost. The World Bank and participating financial institutions would provide loan financing of USD 101.7 million and USD 226 million, respectively. Industrial enterprises would provide equity of USD 81.3 million and the Korea International Cooperation Agency would provide a grant of USD 1.9 million as parallel co-financing, bringing the total project cost to USD 497.2 million.

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

588. A Board member acknowledged the significant need to tap into the energy efficiency and renewable energy markets in Viet Nam, but questioned whether the necessary paradigm shift could be achieved in the current situation where the regulatory environment remained relatively immature; in their view, the key problems in Viet Nam were non-cost-reflective tariffs and a lack of incentives to invest in pure renewable energy. The same Board member also

expressed concern over a number of inconsistencies in the project documentation regarding the credit line from the International Bank for Reconstruction and Development, which had been withdrawn from the funding proposal.

589. A representative of the Secretariat said that there was a nascent regulatory environment in Viet Nam and that a primary focus of FP071 was to implement the regulatory policies required. The Secretariat would consult with Board members outside the plenary session to address the point raised on inconsistencies in the project documentation.

590. A Board member expressed concern over the amount of funding requested under FP071 and the size of the technical assistance grant, and questioned whether GCF funding should be used to subsidize the necessary regulatory environment for the investments in question. They also stated, for the record, that there were ongoing development policy loan operations by the World Bank. As these were ongoing, they recommended that the GCF wait until they had been concluded to ensure that GCF funds were fully maximized.

591. The active observer for PSOs said that a number of private sector companies in Viet Nam had reported concerns about the prevailing regulatory environment and level of governance in the local energy sector. In the view of the observer, the problem in Viet Nam was not a lack of access to financing but rather a lack of demand and incentives for investment in energy efficiency because of continued State subsidy of energy products. The observer suggested that the proposal may also be overly optimistic about the recent pricing reforms introduced in the country, which had in fact set only modest price increases (below the general rate of inflation) for commercial and industrial customers for the period leading up to 2020. They also expressed concern that the official development assistance financing provided to Viet Nam over the past 30 years (totalling over USD 80 billion) had distorted the market in Viet Nam. In sum, government dominance of the energy sector in Viet Nam needed to be reduced, while the transparency of decision-making needed to be improved. To address the concerns raised – and especially in view of the fact that the implementing entity for FP071 would be appointed by the Government of Vietnam – the observer expressed support for the recommendation of the TAP that the GCF should be closely involved in the selection and monitoring of the implementing entity, and requested clarification on how this could be achieved.

592. An active observer for CSOs acknowledged the importance of increasing energy efficiency as part of efforts to phase out coal in Viet Nam, but they expressed concern that nothing was known about the subprojects under FP071 and called on GCF to ensure that fossil fuel related technologies were not funded under the subprojects of FP071. The active observer recommended that FP071 should not be approved until the following amendments had been made: (i) the principle of free, prior and informed consent for indigenous peoples should be fully applied; (ii) CSOs must be consulted regarding the subprojects; (iii) an exclusion list of energy efficiency technologies should be drawn up; (iv) the GCF operations manual should clearly define the criteria for subprojects, which should not include fossil fuel related technologies; and (v) a social, environmental and gender assessment of subprojects should be published in a timely manner and provided as part of the funding proposal.

593. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.

594. A representative of the Secretariat said that disbursement of the guarantees would be made in tranches and in the best-case scenario GCF would not be recalled, as the facility was designed to be self-sustainable. To address the concerns expressed over the regulatory environment, the representative proposed to discuss the matter with the AE and interested Board members outside the plenary session of the meeting. Regarding the concerns of the active observer for CSOs, the World Bank would be applying its safeguard policies to the project, in line with its accreditation with GCF. The GCF operations manual would be developed before the development of the FAA and would include the criteria on the selection of the subprojects.

595. The Co-Chairs requested the Secretariat to closely engage with the AE to address the concerns raised over the regulatory framework.

596. The discussion was suspended.

597. The Co-Chairs reopened the discussion on the final day of the meeting and opened the floor for comments.

598. A Board member said that they had held a constructive discussion with the parties concerned and could now support the funding proposal. They expressed the hope that similar informal discussions could be held in future to address concerns relating to funding proposals.

599. The Co-Chairs took note of the comments and invited the Board to approve FP071.

600. There being no objections, FP071 was approved.

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

601. The Co-Chairs opened funding proposal 072 (FP072), as contained in document GCF/B.19/22/Add.14 and Add.31/Rev.01.

602. A representative of the Secretariat explained that FP072, which contained a request for USD 32 million in grants from the GCF, was aimed at increasing the climate resilience of smallholder farmers in agro-ecological regions I and II of Zambia by addressing the risks posed across the key stages of the value chain, namely planning, inputs, production and post-production. The project would deliver improved access to climate information services, support climate-resilient agricultural inputs and practices, and promote sustainable water management, alternative livelihoods and access to markets and commercialization.

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

604. A Board member noted that the Board could receive proposals for similar projects in the future, which sought to apply the value chain approach to smallholders. Access to information, even using farmer field schools, was not usually effective in disseminating climate information. They wished to know what climate information would be disseminated. For example, would there be a warning of an imminent drought and would this lead to a change in the crop cycle? This was not clear from the funding proposal. They also sought clarification on how the implementation of the project would be monitored, given the large community of users, and who would do it. They noted that this project could act as a “guinea pig” for other developing countries where most of the workforce was in the agricultural sector. Lastly, they requested clarification on the composition of the funding, which consisted of a grant of USD 32 million and a USD 105.3 million grant, in kind. What was the proportion of in-kind funding to grants from the Government of Zambia, and how would the grants be handled? Would this be through the AE or a local intermediary? There were many lessons to be learned.

605. An active observer for CSOs said the project demonstrated good country ownership. It was anchored in various country strategies and policies, and through the substantial co-financing from the Government of Zambia. This showed commitment by the Government. While there had been stakeholder consultations, civil society was greatly concerned that the consultations could have largely left out indigenous communities in the 16 districts where the project would be implemented. This was an issue on which the proposal was silent, despite the intention to integrate indigenous knowledge. The observer said that they had spoken to the AE present in Songdo and understood that a considerable volume of documentation on this issue had been provided to the Secretariat. However, they noted that civil society had not seen the project documentation. They reminded the Board that they had requested such documentation

in the earlier general discussion on funding proposals and at a previous Board meeting, including specific data on which stakeholders had been consulted.

606. A representative of the Secretariat thanked the Board member for their questions. On the question of the value of the work on climate information, it was close to USD 5 million and would go to communities, as designed. On the effectiveness of field schools, GCF had very few projects that were built up from a pilot programme project funded through the GEF. Under the fifth replenishment of the GEF, the same entity had implemented the project specifically on field schools. One of the mandates from the UNFCCC was to expand coherence with other climate finance channels. This project was unique in that it sought to scale up that activity in scope, scale and additional activities.

607. Regarding implementation and co-financing, around USD 100 million would be provided by the Ministry of Agriculture of Zambia to co-finance the project over the project implementation period with crop diversification packages in the 16 target districts.

608. Regarding the comments from the active observer for CSOs, the Secretariat would be happy to respond in detail outside the plenary session.

609. The above-mentioned Board member thanked the Secretariat for the responses and requested clarification on the term “implementation through a value chain approach” in agriculture.

610. A representative of the Secretariat stated that it was another term for a comprehensive approach covering all key stages from planning, inputs, production and post-production.

611. There being no further comments and no objections, FP072 was approved.

Funding proposal 073 titled “Strengthening climate resilience of rural communities in Northern Rwanda” by the Ministry of Environment of Rwanda

612. The Co-Chairs opened funding proposal 073 (FP073), as contained in document GCF/B.19/22/Add.15 and Add.31/Rev.01.

613. A representative of the Secretariat said that FP073 was the product of the first ever GCF PPF request, which had been approved by the Board in its decision B.12/24. The proposal, which included a request for USD 32.7 million in GCF grants, aimed to increase the resilience of vulnerable communities in northern Rwanda to climate change by targeting a range of integrated adaptation interventions in nine sectors of the Gicumbi District.

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

615. A Board member stated that the proposal was very ambitious, perhaps as a result of the engagement of the PPF, and they shared the concerns of the TAP that the numerous activities set out in the proposal would be a challenge to implement. The level of co-financing was also low, which created concerns about the maintenance of the project components once GCF was no longer involved. Furthermore, the green housing incremental cost reasoning was not clear. They had concerns about rehousing communities rather than developing zoning rules, lifting building standards and developing more sustainable land-use practices. They had raised a number of technical questions with the Secretariat and wished to be given additional time to review these outside the plenary session.

616. A second Board member raised several operational questions. Had the provision of funds through the PPF helped in the review of the project and had it shortened the time normally taken? They also wished to know what kind of interactions had taken place between the Secretariat and the AE during the PPF phase prior to the submission of the funding proposal. Information such as this would be helpful for future operationalization of the PPF. Furthermore,

they noted that disbursement of funds from the PPF was perhaps less than 10 per cent of the original amount that had been made available by the Board for the PPF.

617. A representative of the Secretariat explained that the project had originally been far larger. It had now been revised so that the activities were concentrated in a smaller geographical area, making it easier to manage in terms of implementation. The goal was to ascertain whether a wide range of activities would bring greater advantages. Rwanda was an LDC and received a large part of its budget through official development assistance. Regarding the efficient use of the PPF, it was used by the Government of Rwanda to commission a wide range of technical studies, including on feasibility, gender and ESMS, which would not have been possible without the PPF.

618. The Co-Chairs adjourned the discussion on FP073.

619. The Co-Chairs reopened the discussion on FP073 on the final day of the meeting and stated that the condition texts presented would be incorporated into FP073.

620. The Board member who had requested time for further consultations informed the Board that they were now able to support the funding proposal, subject to the conditions attached to the proposal by the TAP, with a slight modification to improve the ability of the Ministry of Environment of Rwanda to implement the condition, and had provided the text reflecting these changes. They had also discussed the green settlement component of the proposal. They noted that this highlighted the policy gaps on incremental costs, concessionality and co-financing and said that there would have been a stronger case for the proposal had these been in place. The Board member said that this could be a useful lesson for the Board on the importance of having policies in place which would facilitate convergence among Board members.

621. Another Board member wished to know if the Secretariat had shared the condition with the DAE and whether this had been accepted.

622. The Co-Chairs asked if there were any objections to approval of the funding proposal.

623. A Board member reminded the Co-Chairs of the outstanding question.

624. The Secretariat said that the changes had not been shared but a representative from the Ministry of Environment of Rwanda, who was also the NDA, was present in the Boardroom, and after consultations with the Rwandan delegation, they supported the rephrasing of the condition.

625. There being no further comments and no objections, FP073 was approved.

Funding proposal 074 titled “Africa Hydromet Program – Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project” by the World Bank

626. The Co-Chairs opened funding proposal 074 (FP074), as contained in document GCF/B.19/22/Add.16/Rev.01 and Add.31/Rev.01, and invited a representative of the Secretariat to take the floor.

627. A representative of the Secretariat stated for the record that the Secretariat assessment contained in document GCF/B.19/22/Add.28/Rev.02 contained the incorrect legal assessment for FP074; the correct legal assessment was contained in an earlier version of the document, namely GCF/B.19/22/Add.28/Rev.01; this was the legal assessment that would apply if the funding proposal were accepted by the Board.

628. Next, a representative of the Secretariat introduced FP074, which was designed to strengthen the underdeveloped climate information sector in Burkina Faso, one of the LDCs in Africa which was highly vulnerable to weather-related hazards owing to its limited capacity and resources. By optimizing both supply and demand for climate information systems in the

country, the proposal would improve the livelihoods of rural communities through increased food security and reduced vulnerability to weather-related hazards. The proposal contained a request for USD 22.5 million of GCF grant funding; a further USD 2.5 million worth of co-financing would be provided by the International Development Association, as well as USD 2 million worth of parallel financing from the Government of Burkina Faso.

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

630. A Board member noted that FP074 was the second hydromet project to have been submitted to GCF by the World Bank for implementation in West Africa, and, if approved at the current meeting, would be the fourth hydromet project that GCF had approved. They also noted the relatively large amount of funding requested under FP074 compared with other similar proposals, and questioned the cost-effectiveness of providing similar equipment to two neighbouring countries, namely Mali under FP012 and Burkina Faso under FP074, without establishing regional networks or connectivity between the different hydro-meteorological stations. On that basis, the Board member stressed the need to adopt a regional approach so as to improve the predictability of climate events in the region in a more cost-effective manner.

631. A representative of the TAP acknowledged the need to adopt a more cost-effective approach to GCF hydromet projects, both at the regional and national levels, and to take into account lessons learned through their implementation.

632. The Co-Chairs took note of the comments and suggested that the focus of such a regional approach could be the Niger River Basin, including Burkina Faso, Chad, Mali, Niger, Nigeria and Western Sahara, given that scarce water supply in that area posed an existential threat to those countries. They suggested that ideas for a regional approach as described should be transmitted to the World Bank and other entities involved in hydromet projects in the region.

633. A Board member suggested that WMO, which was already accredited with GCF, would be an appropriate entity to submit a regional hydromet proposal.

634. A representative of the Secretariat stated that although Burkina Faso had a certain amount of hydromet capacity to predict droughts, it lacked the necessary information to predict floods, storms and other rapid-onset events. Given the absence of the necessary foundations in that respect, a national-level project was required; once the foundation had been established, it would be worthwhile to consider regional optimization based on economies of scale as a subsequent measure. They also noted that WMO would form part of a consortium of entities participating in the technical oversight of the project.

635. The Co-Chairs took note of the comments and invited the Board to approve FP074.

636. There being no objections, the Board approved FP074.

Funding proposal 075 titled “Institutional Development of the State Agency for Hydrometeorology of Tajikistan” by the Asian Development Bank

637. The Co-Chairs opened funding proposal 075 (FP075), as contained in document GCF/B.19/22/Add.17 and Add.31/Rev.01.

638. A representative of the Secretariat introduced FP075. The proposal was submitted by the Asian Development Bank to support the development of State Agency for Hydrometeorology as a sustainable and well-resourced institution by (i) helping to address the key underlying institutional barriers and weaknesses of the State Agency for Hydrometeorology; and (ii) supporting improved capacity in the production and dissemination of forecasting services. The project would benefit 8.7 million people in the target area. The total project cost was USD 10 million, with GCF and the Asian Development Bank each providing USD 5 million in grant funding.

639. The Co-Chairs opened the floor for comments.
640. There being no comments or objections, FP075 was approved.

Funding proposal 076 titled “Climate-friendly Agribusiness Value Chains Sector Project” by the Asian Development Bank

641. The Co-Chairs opened funding proposal 076 (FP076), as contained in document GCF/B.19/22/Add.18 and Add.31/Rev.01.
642. A representative of the Secretariat introduced the funding proposal, which was designed to reduce the climate change vulnerability and GHG emissions of four agricultural value chains in Cambodia; enhance the resilience and productivity of target crops; and increase agricultural competitiveness and household income in four provinces of the country. The project targeted 390,000 direct beneficiaries and 975,000 indirect beneficiaries. The total project cost was USD 141.4 million over a period of six years. Of that total, GCF would provide a grant of USD 30 million and a loan of USD 10 million. The Asian Development Bank would contribute a concessional loan of USD 90 million. There would also be in-kind contributions worth USD 11.4 million from the Government of Cambodia and the end beneficiaries.
643. The Co-Chairs opened the floor for comments.
644. A Board member requested clarification on the sequencing of GCF concessional financing under the project: why was it that a high-concession loan worth USD 10 million was to be used at the start, then followed by a grant worth USD 30 million?
645. Another Board member wished to know why the GCF financing was being offered at a different level of concessionality to the financing from the Asian Development Bank.
646. An active observer for CSOs reiterated that GCF should not approve any programme of work or accredit any institution that used climate-smart agriculture. They noted that, while FP076 used the term “climate-friendly” in its title, its lack of clarity on how its outputs would be beneficial to the climate, communities and farming systems seemed to indicate that the proposed “climate-friendly” approach followed the “climate-smart” model, and was therefore not recommended. They expressed particular concern at the project’s intention to promote the use of synthetic (inorganic) fertilizers to increase crop productivity, which could lead to revenue reductions for local Cambodian farmers; with that in mind, they emphasized that GCF should not attempt to address climate vulnerability through approaches that led to economic vulnerability. The observer also called for the involvement of an independent third-party institution to monitor the infrastructure construction work carried out by the project proponent and Government institutions. With reference to the text of the draft decision, the active observer stated that they had not been able to locate the “conditions set out in document GCF/B.19/22/Add.30” on the GCF website and asked where the relevant documentation could be found.
647. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.
648. A representative of the Secretariat said that the proposed GCF grant funding mainly targeted activities that would deliver resilience outputs and unlock barriers to enhancing adaptive capacity, as well as technical assistance for relevant institutions. The GCF loan component would only cover activities that involved a degree of risk and potential income generation, but for which immediate results may not be visible and hence not commercially feasible. The requested level, instrument and concessionality of GCF financing were reasonable considering the need to shift the agricultural sector from its status quo. Moreover, Cambodia was an LDC as per the United Nations classification and remained highly dependent on concessional funding for public investments in infrastructure and human capital. Up to 80 per

cent of the country's population lived in rural areas, and approximately 75 per cent remained below or marginally above the poverty line, leaving them vulnerable to economic, social and environmental shocks; even the smallest shock could send those population groups back into poverty. FP076 would help the country, including the most vulnerable segment of its population, to better cope with climate change. Detailed responses to the comments made by the CSO active observer would be provided bilaterally, outside the plenary session of the meeting.

649. While accepting the Secretariat's response as satisfactory, a Board member stated for the record that they wished to see MDBs assume a greater portion of the financial risk in future GCF-funded projects.

650. The Co-Chairs took note of the comments and invited the Board to approve FP076.

651. There being no objections, FP076 was approved.

Funding proposal 077 titled "Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project (AHURP)" by the Asian Development Bank

652. The Co-Chairs opened funding proposal 077 (FP077), as contained in document GCF/B.19/22/Add.19 and Add.31/Rev.01.

653. A representative of the Secretariat introduced FP077, which was aimed at addressing climate-related challenges in Mongolia by providing the population in particularly vulnerable areas with low-carbon and climate-resilient apartments in the surrounding area of the country's capital, which had become over-populated and highly polluted, and lacked effective urban planning and infrastructure. The successful implementation of the project would benefit 100,000 residents and additional indirect beneficiaries as a result of highly improved air quality. The project would include investments in solar photovoltaics and building insulation, resulting in significant GHG emission reductions.

654. A Board member noted with satisfaction the significant economic, environmental and social co-benefits of the project, while also underlining the need to maximize the project's impact potential, effectiveness and efficiency, both of which had been rated as "medium" in the Secretariat assessment. With regard to mitigation, they requested the AE to provide further information on the amount of CO₂ that would be emitted through the construction of the apartments. On the issue of adaptation, it was difficult to justify the requested amount of GCF funding because ongoing policy gaps in the Board's approval procedures meant that there was no effective baseline for comparison. While the project had the potential for high impact if the upscaling component were successful, it was nonetheless a high-risk project.

655. While noting with satisfaction that the project was designed to address social issues while also combating climate change, a Board member sought clarification on whether the lessons learned from the two previously approved GCF funding proposals in the same sector (relating to Viet Nam (FP071) and Bosnia and Herzegovina (FP051)) had been taken into account in the Secretariat and TAP assessments of the project. They also emphasized the need to exercise care and caution in all elements of the design of the project, since it would probably serve as a precedent for future proposals involving large-scale investments in the housing sector.

656. An active observer for CSOs said that while their constituency was not opposed to the idea of promoting energy efficiency and renewable energy in developing infrastructure and housing projects, they were of the view that FP077 was based on erroneous assumptions about the needs of the people of Mongolia and did not effectively address the root causes of the climate vulnerability of the country's population. The proposed development of an eco-district to accommodate even more people in the over-populated capital city was not a sustainable climate solution, and contradicted efforts by the Government of Mongolia to decentralize the

population in Ulaanbaatar and offer immigrants opportunities to return to their home towns outside the capital. The observer also questioned the claim that local people needed to be resettled to Ulaanbaatar because of the impact of climate change, and stated that the majority of the people concerned had been displaced as a result of mining activities outside Ulaanbaatar which had contaminated land and water resources. Also of concern was the project's failure to address issues related to resettlement and land acquisition; a number of land restructuring projects in the past had reportedly led to mass involuntary resettlement; and despite the disclosure of relevant frameworks and action plans, the project lacked strong commitment on compliance. Moreover, while the project aimed to make climate-resilient housing affordable, the rates indicated remained unaffordable for low-income families; the economic effectiveness of the project was therefore highly questionable.

657. The Co-Chairs took note of the comments and invited representatives of the Secretariat and the TAP to respond.

658. A representative of the Secretariat said that the AE would provide relevant information on CO₂ emission calculations, as requested. Regarding lessons learned from similar projects, the representative acknowledged the need to conduct institutional learning based on the GCF portfolio, which had not yet been studied in depth for that purpose.

659. Regarding scaling up, the representative of the Secretariat clarified that in this context the executing entity concerned was the Development Bank of Mongolia; one of the benefits for GCF of entities becoming accredited and engaging with GCF was the opportunity for GCF to stimulate a change in the existing lending practices of AEs. In this project, the AE would be able to use lessons learned and apply them to their subsequent lending, including, for example, green building practices which could be standardized and thus scaled up. However, it was recognized that there was some uncertainty about this and the Secretariat would welcome further discussions with Board members.

660. A representative of the TAP said that an in-depth analysis of the CO₂ emission calculations had been prepared by the AE; annex 17 to the project document contained information on how the emissions would be monitored. CO₂ emissions from the construction of the apartments had not been included because no methodology was yet in place to assess one-off emissions such as these. Regarding lessons learned, they noted that FP077 was the first comprehensive GCF investment that covered both adaptation and mitigation, and emphasized that such a transformational project should set a positive precedent for future investments.

661. A Board member said that the concerns raised in relation to FP077 highlighted the urgent need for the Board to adopt a number of policies, including on incremental cost, so as to improve decision-making on GCF funding for housing sector projects.

662. Another Board member requested that the AE respond publicly to the concerns raised on FP077, and underlined that if GCF were required to fund the upscaling of the project, it would reduce the cost-efficiency of GCF funding.

663. A representative of the Secretariat affirmed that the upscaling of the project would not depend on further GCF financing, but would be funded by a "green bank" for construction, which was to be established by the Development Bank of Mongolia.

664. The Co-Chairs took note of the comments and invited the Board to approve the proposal.

665. There being no objections, FP077 was approved by the Board.

Simplified Approval Process 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

666. The Co-Chairs opened SAP funding proposal 001 (SAP001), as contained in document GCF/B.19/22/Add.34 and Add.35.

667. A representative of the Secretariat introduced SAP001, which was designed to help Namibia to reduce the vulnerability of smallholder farmers to the effects of climate change by safeguarding natural capital in order to sustain agricultural production systems in the Kunene region, a large area in north-western Namibia. The proposal was the first to have been submitted to the Board under the SAP, just three and a half months after its initial operationalization. The proposal included a request for USD 9.3 million of GCF grant funding, which was expected to leverage a further USD 0.7 million.

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

669. A Board member expressed support for SAP001, while also stating that its sources of co-financing were not demonstrated sufficiently clearly; with that in mind, they stressed the need for the GCF to establish a consistent definition of “co-financing”.

670. An active observer for CSOs welcomed the proposal and described it as perfectly befitting of the new SAP modality. They noted with satisfaction the proposal’s high potential to address the impact of climate change in the affected region, as well as its significant degree of country ownership and strong gender component. Nonetheless, the observer expressed concern that the SAP may not provide the level of simplification required, noting that the funding proposal contained a similar amount of supplementary documentation to other funding proposals.

671. The Co-Chairs took note of the comments and invited a representative of the Secretariat to respond.

672. A representative of the Secretariat said that the AE had submitted a more comprehensive set of project documents than had been required under the SAP; over time, the SAP would be refined and AEs would adapt to its less extensive documentation requirements. They also proposed to consult with their Office of the General Counsel regarding the definition of “co-financing”.

673. A Board member said that the Secretariat had not yet fulfilled a previous request by the Board to provide it with a document aimed at developing a definition of the term “co-financing” for use in future funding proposals. While the Board would not block consensus on SAP001, they emphasized the need for swifter progress towards establishing the required definition.

674. The Co-Chairs took note of the document and invited the Board to approve SAP001.

675. There being no objections, SAP001 was approved by the Board.

Consideration of private sector funding proposals

Funding proposal 078 titled “Acumen Resilient Agriculture Fund (ARAF)” by Acumen Fund, Inc.

676. The Co-Chairs opened funding proposal 078 (FP078), as contained in document GCF/B.19/22/Add.20.

677. A representative of the Secretariat introduced FP078. They stated that the agriculture sector was a key driver for inclusive economic growth in target countries and up to 80 per cent of farmland was managed by smallholder farmers who were highly vulnerable to the impacts of climate change. Climate resilience was key to ensuring the long-term sustainability of agricultural production and incomes for smallholder farmers. The Acumen Resilient Agriculture Fund (ARAF) was the first of its kind in Africa involving the private sector. The contribution of

GCF would mobilize private sector capital to support entrepreneurs serving smallholder farmers to enhance their climate resilience.

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

679. A number of Board members expressed support for the project; one highlighted the quality of its design and its strong potential to crowd in private sector investment and bring about paradigm shift.

680. Two Board members requested more detailed information on the investment pipeline; one asked how certain it was that the proposed co-investment of USD 25 million would be obtained. Another recommended that GCF closely monitor the climate resilience of all projects financed. Another Board member stated that, to maximize the efficiency and effectiveness of the project, it was important to incentivize co-financing from additional stakeholders and ensure that lessons were learned from the innovative nature of the project. To achieve these two objectives, they proposed that an extra condition be attached to the proposal. They noted that the proposed condition was supported by the AE and sought guidance from the Co-Chairs on when this might be circulated to the Board.

681. A Board member requested information on why the equity investment to be made by the AE was relatively small compared with that of GCF, and with the overall investment. Another Board member requested further information on the categorization of the project in relation to the proposed size of the investment.

682. One Board member noted that the AE had considerable experience of working with GCF, having previously had a proposal approved covering an energy project in East Africa. They emphasized the importance of ensuring that GCF projects responded to country needs in a coherent way, as determined by the NDAs, and expressed some concern that the Board could be repeating the approach it had taken with the energy sector but now for the agriculture sector. They requested clarification on the link between a sub-regional project such as FP078, which would take years to implement, and the NAPs of the three recipient countries of the project.

683. An active observer for CSOs said that while efforts to assist smallholder farmers were welcome, FP078 was a “top-down” project that did not address a number of essential issues related to farmers’ resilience. Moreover, consultations with end users and civil society in the development of the funding proposal had been inadequate; the resulting lack of first-hand information on critical issues was likely to jeopardize the project’s success. In addition, the gender dimension of the proposal was inadequate; the proposal should only be approved with an additional condition that a more nuanced gender analysis, focusing on specific country level issues, be provided. Drawing attention to paragraph 37 of the assessment by the TAP (document GCF/B.19/22/Add.29/Rev.01 titled “Consideration of funding proposals – Addendum XXIX: Independent Technical Advisory Panel’s assessment”), which stated that “agribusiness promoting genetically modified organisms [would] not be supported by ARAF”, the observer requested that specific exclusion of genetically modified organisms be written into the FAA. Noting that the AE – a DAE in Kenya – was proposing a fund domiciled in Canada run by a company in the United States of America, and that the project had been submitted by a manager located in Pakistan, the observer expressed concern that the complex financial structure of FP078 could limit the scope of its transparency and accountability. The observer said that in the present case, the AE should be considered an international access entity rather than a DAE, and called on GCF to establish a clear and consistent definition of what constituted a DAE.

684. The Co-Chairs took note of the comments and invited the Secretariat to respond.

685. A representative of the Secretariat said that the AE had been accredited in the “micro” size category as defined in decision B.08/02, and noted that the proposed size of the investment in FP078 fell into that category.

686. Another representative of the Secretariat said that obtaining co-financing from private sector investors was important to ensuring the success of FP078. The investment pipeline had been included as part of an annex to the funding proposal, which had previously been circulated to the Board. The proposal contained a detailed description of how the project was aligned with the relevant countries' NAPs; the Secretariat could provide further clarification bilaterally, on request by Board members. The AE had a strong track record in the agriculture and energy sectors and FP078 had been developed based on lessons learned over the past 10 years. FP078 was the second proposal to have been submitted to the GCF Board by Acumen Fund, Inc.; their first proposal (FP005: KawiSafi Ventures Fund in Eastern Africa) had already made a substantial impact, benefiting 2.3 million people. The Secretariat was therefore confident in the ability of Acumen Fund, Inc. to make FP078 a success.

687. The Co-Chairs stated the conditions that had been proposed by a Board member for approval of the proposal, and requested that the Secretariat circulate the text to the Board. One of the Co-Chairs also asked the Secretariat to clarify whether, in cases where projects used GCF equity, GCF was involved in decision-making through the board of directors of an AE.

688. The Secretariat responded that GCF would have a seat on the advisory board of ARAF, thus allowing full access to information, but would not be involved in investment decision-making as this would impose additional liabilities on GCF.

689. The discussion on FP078 was suspended.

690. The Co-Chairs reopened the discussion on the final day of the meeting and informed the Board that the text for the additional condition would be incorporated into FP078. They opened the floor for comments.

691. One Board member asked if the condition had been accepted by the AE. This was confirmed by the Secretariat.

692. Two Board members expressed satisfaction at the inclusion of the additional condition for the funding proposal, circulated to Board members earlier in the meeting, and the inclusion of additional provisions related to gender. Another Board member stated that they were satisfied with the responses that had been provided by the AE.

693. The Co-Chairs invited the Board to approve FP078.

694. There being no objections, FP078 was approved by the Board.

Funding proposal 080 titled “Zambia Renewable Energy Financing Framework” by the African Development Bank

695. The Co-Chairs opened funding proposal 080 (FP080), as contained in document GCF/B.19/22/Add.22.

696. A representative of the Secretariat introduced FP080, which had been submitted by the African Development Bank. The framework aimed to finance 100 MW of renewable capacity under the Renewable Energy Feed-in-Tariff policy of the Government of Zambia, which had been adopted after a reduction in hydropower generation following a prolonged period of erratic rainfall. The framework targeted financing of four to six renewable energy projects (primarily small-scale solar projects up to 20 MW each) which would offset emissions of nearly 4 million metric tonnes of CO₂ equivalent (MtCO₂eq) and indirectly offset the annual energy consumption of about 300,000 people.

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

698. Two Board members expressed support for the proposal. One noted that FP080 was the first feed-in tariff programme to have been submitted to the Board for consideration and requested clarification on the cost per USD/kWh of the solar energy to be generated, as well as

how that cost would compare to other GCF-approved projects. Noting that the proposal did not contain any references to mini grids or a national grid, the Board member asked what delivery system would be used to supply the energy to households in Zambia, where only 40 per cent of the rural population was connected to the national electricity grid; they also enquired as to whether the project would form part of a wider programme, including grid enhancement, and asked if any funding had been requested specifically for that purpose. Lastly, the Board member wished to know whether the planned hydroelectric power generation capacity of the project would be sufficient to meet the electricity needs of the country.

699. Another Board member said that many other stakeholders, such as MDBs, were involved in developing feed-in tariff projects in Zambia and stressed that, in order to make a positive contribution, GCF would need to coordinate effectively with those other actors and take care to develop the best possible design for the project based on lessons learned from previous experience.

700. The Co-Chairs invited the Secretariat to respond to the concerns raised.

701. A representative of the Secretariat said that FP080 was not the first feed-in tariff programme to have been submitted to the Board but had in fact been preceded by the European Bank for Reconstruction and Development–Egypt project (FP039) which had been approved by the Board in April 2017. They stated that the scaling solar cost was approximately USD 6 cents/kWh, and highlighted that the Secretariat was expecting the tariff to be USD 2 cents higher than that figure in the case of Zambia. At the current time, most rural areas in Zambia were not connected to the national grid, but a number of mini grids were in place; consequently, projects established under FP080 would be able to feed into those grids. FP080 did not contain a specific financing request to cover electricity transmission, but as of 2017 the existing available transmission capacity was 700 MW. The programme under FP080 had been designed and developed with input from a range of institutions that the AE (the African Development Bank) would be joining as a financing partner; coordination among stakeholders had thus been assured.

702. The Co-Chairs took note of the comments and invited the Board to adopt FP080.

703. There being no objections, the Board approved FP080.

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

704. The Co-Chairs opened funding proposal 081 (FP081), as contained in document GCF/B.19/22/Add.23.

705. A representative of the Secretariat introduced FP081 which aimed to provide access to long-term affordable finance for solar rooftop installation projects in the commercial, industrial and residential housing sectors in India, including vulnerable communities.

706. India was the world's fourth largest carbon emitter, responsible for 6 per cent of global GHG emissions. In its NDC, the Government of India had stated its ambition to achieve 40 per cent cumulative electric power capacity from non-fossil fuel based energy resources by 2030, with a target of 40 GW of rooftop solar power by 2022.

707. The programme would enable access to long-term and affordable financing for the construction of 250 MW of rooftop solar capacity in India, thereby reducing emissions by 5.2 million MtCO₂eq over a period of 20 years. This pioneering private sector driven initiative would unlock private sector investment in the rooftop solar market and pave the way towards a sustainable, bankable model in India and beyond.

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

709. An active observer for CSOs expressed support for the goal of the project as it would play an important role in assisting the Government of India to achieve its very ambitious solar targets by improving the financing conditions for solar projects. Civil society also supported the focus on solar rooftop projects, which could be implemented in a decentralized way; such projects also used existing built-up space and generally posed fewer environmental and social risks. Furthermore, the observer expressed appreciation for the commitment from the National Bank for Agriculture and Rural Development (and its executing entity, Tata Cleantech Capital Limited, to fully pass on the concessionality of the GCF funding to end borrowers.

710. However, the observer raised several concerns regarding the financing. First and foremost was the need for any GCF funding for this project. They noted that the executing entity, Tata Cleantech Capital Limited, was a joint venture of the International Finance Corporation, the World Bank's private sector arm, and the Tata group, India's largest industrial conglomerate. Therefore, the Tata group and the International Finance Corporation should have sufficient resources to finance the programme with their own funds; as a result, a clearer justification for GCF additionality was needed.

711. In addition, the information provided on end beneficiaries in the funding proposal was superficial. The proposal only mentioned that 250 MW of rooftop solar capacity, mainly in the industrial, commercial and residential housing sectors, would be financed. It contained no indication of the project size, a breakdown between the targeted sectors, or geographical distribution. This contrasted with the, sometimes excessive, level of detail that was demanded of public sector projects, including under the EDA scheme.

712. Clear objectives to achieve solar social co-benefits, as well as measures to ensure gender equality for the project, were also weak. The proposal did not include specific targets or resources to achieve the goal of 50 per cent women-led and women-owned businesses in procurement, and/or 50 per cent of women in employment. To achieve significant sustainable multiple benefits for rooftop solar financing, the observer recommended that the National Bank for Agriculture and Rural Development and Tata Cleantech Capital Limited include targets on the financing for women-led businesses, vulnerable communities, micro, small and medium-sized enterprises (MSMEs) and off-grid areas, and clear targets for on-the-job training. The observer further mentioned that these targets should be included in the monitoring and evaluation framework of the project. Lastly, they urged the Board to include these recommendations as a condition for the proposal.

713. A representative of the Secretariat acknowledged the concerns expressed by the active observer for CSOs regarding the need for GCF funding. They confirmed that Tata Cleantech Capital Limited had resources from both the Tata group and the International Finance Corporation. However, the rooftop solar market in India was still at a very nascent stage, and despite resources from several large entities, there was insufficient funding in the market. In this regard, there was a funding gap of USD 34 billion needed to reach the 40 GW rooftop solar power target of the Government of India. It would be necessary for GCF to work with its partners and stakeholders in the private sector to unlock the potential growth of the rooftop solar market. During its market analysis, the Secretariat had held discussions with private sector banks which had indicated that they perceived the rooftop solar market to be too risky at the present time. Therefore, the Secretariat wished to encourage Tata Cleantech Capital Limited to be the risk-taker and to pave the way for other private sector entities to enter the market. The Secretariat believed that the successful implementation of the proposed programme would act as a model to attract significant private sector investments.

714. Regarding the question of sectors, the representative of the Secretariat said that a significant portion of the financing would be channelled towards the industrial and commercial sectors; however, the project would also ensure that vulnerable communities were targeted as well as other social sectors, such as schools and hospitals in off-grid areas. Furthermore, the

Secretariat took note of the need to ensure that the project would bring benefits to remote areas as well as seeking to engage with women-led MSMEs and women-led households. The representative stressed that it was quite challenging to provide a specific breakdown by sector and geographical area because the line of credit of the GCF to Tata Cleantech Capital Limited required that a degree of flexibility be granted to the company to implement the programme.

715. The Co-Chairs took note of the comments and invited the Board to adopt FP081.

716. There being no objections, the Board approved FP081.

Concluding comments

717. Various Board members expressed satisfaction at the Board's efficient consideration and approval of a record number of funding proposals at the current meeting, worth over USD 1 billion in GCF funding. A Board member commended the staff of the Secretariat on their excellent work in preparing 23 proposals for submission to the Board and encouraged them to continue this trend at future meetings. They also called on the Board to adopt the necessary policies to set further criteria for the approval of funding proposals, so as to allow the Secretariat and the TAP to work more efficiently and effectively. Another Board member expressed support for the improved approval process that had been used in the run-up to the current meeting. One Board member said that FP073, which had been prepared with the assistance of the PPF, served as a positive model for future funding proposals.

718. Two Board members stated for the record that their approval of the funding proposals submitted to the Board at its current meeting did not signify their endorsement of all elements of the analysis and assessment of those proposals; specifically, they did not endorse references to the income levels of countries, in particular the use of the term "middle-income countries". Emphasizing the importance of good practice and good governance in the Board, a Board member requested the Co-Chairs to remind the Board, at the beginning of every occasion where the Board considered funding proposals, of paragraphs 46, 47 and 48 of the Rules of Procedure.

719. A representative of the Secretariat commended the TAP on its excellent work and congratulated the Board on its efficient consideration and approval of a record number of funding proposals. They noted that, in advance of the current Board meeting, the Secretariat had reviewed 43 funding proposals, of which 23 had been deemed ready for Board approval, in addition to reviewing a large number of concept notes. With a view to improving the quality of funding proposals, improving efficiency and reducing its reliance on external consultants, the Secretariat had set joint key performance indicators for its different divisions and reorganized its internal working structures so as to create networks of in-house experts, and was also working hard to develop the necessary policies in a cohesive manner.

720. The Co-Chairs took note of the comments and observed that clusters of funding proposals were beginning to form in areas where the GCF would be able to demonstrate broad impact; for example, improving climate resilience in SIDS, improving water basin management, promoting smallholder agriculture and encouraging a shift towards renewable energy. They encouraged the Board and the Secretariat to ensure that all GCF projects demonstrated distinct added value to existing efforts to combat climate change.

721. 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:*

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- (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,⁴ 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;*
- (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;*

⁴ 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.

- (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

720. The Co-Chairs opened the agenda item. They informed Board members that the consideration of this item would be in two parts, beginning with a discussion on the “Further development of the accreditation framework”, followed by a discussion on the “Status of accreditation matters”.

Further development of the accreditation framework

721. The Co-Chairs invited a representative of the Secretariat to take the floor to introduce document GCF/B.19/28 titled “Further development of the accreditation framework”.

722. The Executive Director explained that the proposal for project-specific accreditation was crucial for the credibility of GCF processes generally and specifically for RFPs; the latter created expectations, particularly for timely responses. The GCF mainstream accreditation processes, as currently formatted, did not provide for this. Therefore, the proposal presented was part of the review of accreditation that the Board had requested be undertaken by the Secretariat. A pilot approach was suggested on a low- to no-risk basis for a project-specific process as a means of dealing with the expectations created. There would be no reduction of GCF standards and it was proposed that proposals from the three current RFPs should be brought forward. Feedback received from the private sector highlighted that, when they brought proposals to GCF, such proposals were ready for implementation and, for that reason, a fast response was essential. To

deal effectively with the private sector, GCF therefore needed to respond rapidly. This proposal was therefore a very important step to confirm the processes already initiated by the Board.

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

724. The representative of the Secretariat informed the Board that the document provided an initial review of the accreditation framework and the proposed project-specific assessment approach (PSAA) on a pilot basis. The representative indicated that while the full review of the accreditation framework would be presented at B.20, the Secretariat was already proposing the PSAA in order to unlock the potential of RFPs (EDA, MSME and MFS RFPs) and the SAP. The current accreditation framework focused on assessing an organization's systems, policies, procedures and track record in meeting GCF accreditation requirements at the institutional level that would be applied to a portfolio of projects/programmes. However, recognizing that some entities in the current accreditation process intended to engage with GCF in a limited and specific manner, such as on a single project, the aim of the PSAA was to complement the existing framework by assessing an organization's ability to meet GCF fiduciary, environmental and social and gender standards and safeguards in the context of a proposed project.

725. The Co-Chairs invited the chair of the AC to take the floor.

726. The chair of the AC, Mr. Hans Olaf Ibrenk, informed the Board that the Committee members were in full support of the proposal. The chair also stated that in his capacity as a Board member he supported the proposal. Mr. Ibrenk noted that there was now a fully functioning AP which was positive news; it was likely that this would lead to a considerable number of entities being presented for accreditation at the next Board meeting. The chair then proceeded to address a second issue before the Board, namely the draft decision to extend the prioritization of entities applying for accreditation, as per decision B.14/08.

727. Members of the AC proposed to extend the prioritization of entities applying for accreditation in accordance with decision B.14/08 until the end of B.20. Accordingly, they proposed an amendment to the draft decision contained in annex I to document GCF/B.19/28. The chair of the AC recalled that decision B.14/08, paragraph (d) (i), gave priority to: (i) national DAEs; (ii) entities in the Asia-Pacific and Eastern European regions; (iii) private sector entities; (iv) entities responding to RFPs issued by GCF; (v) entities seeking fulfilment of conditions for accreditation; and (vi) entities requesting upgrades. The Chair stated that the extension of the prioritization of entities would also form part of the full review of the accreditation framework.

728. The Co-Chairs recalled the decision contained in annex I to document GCF/B.19/28 and invited comments from the Board.

729. In the ensuing discussion, Board members expressed views on the decision regarding the prioritization of entities, the review of the accreditation framework, the PSAA and the lack of entities being presented for accreditation at B.19.

Decision regarding the prioritization of entities

730. Several Board members expressed support for the extension of the decision to prioritize entities, with one noting that the existing criteria were still valid. Specific comments included:

- (a) The need to continue the prioritization of DAEs to address the current imbalance in terms of international entities and those seeking upgrades;
- (b) Concerns at any proposal to adopt more strict prioritization criteria, as many entities were already pending in the pipeline and this would only make matters worse; and
- (c) The need for support for the prioritization of entities until B.20, especially as entities were not able to be considered at B.19.

731. One Board member stated that prioritization was not a good solution to the more general issues concerning the accreditation process, including the lack of full membership of the AP, for which a permanent solution was needed. Another Board member and member of the AC reiterated that the AC supported the extension of the decision to prioritize entities to B.20.

Review of the accreditation framework

732. A number of Board members expressed enthusiasm for the completion of the review of the accreditation framework to be presented at B.20. One Board member noted that this would help the Board to develop a framework which was more fit for purpose; the Board should continue to examine new ways to partner with potential AEs. The Board member requested that the review consider the following two issues in order to provide better clarity to AEs and assess whether the original intention of the Board was being met: (i) the ability of national DAEs to deliver regional projects; and (ii) whether AEs accredited for micro-size projects could bring forward proposals that exceeded their project cap. A second Board member stated that the Board needed to consider whether there should be a ceiling on the number of AEs that GCF could deal with. They also noted that GCF had USD 10 billion for 59 AEs with an average project size of USD 50 million. This implied less than one funding proposal per AE per year. This was not effective and the review should look into this aspect. Noting that a number of AEs did not have a project pipeline, said Board member sought guidance on: (i) whether a criterion should be added for future accreditation on the basis of whether the entity had a project pipeline; and (ii) whether this should become a criterion for reaccreditation. If an AE had not been able to submit a funding proposal within five years, they should not be reaccredited. A third Board member proposed a limit on the number of AEs per country. A fourth Board member said that they shared the view that additional modalities may need to be developed within the accreditation framework to unlock other categories of entities to engage with GCF on specific projects. On process, one Board member expressed support for the recruitment of an independent consultancy firm to conduct the review of the accreditation framework.

Project-specific assessment approach

733. Many Board members made interventions on the PSAA. There was considerable support for the proposal, although some Board members felt that it was premature at this stage, especially given the ongoing broad-ranging review of the accreditation framework to be presented at B.20. Concerns were also expressed at the potential dilution of GCF standards and the possibility that entities would view the PSAA as a softer option rather than pursuing full accreditation via the existing process. A number of specific points were made by Board members. The PSAA pilot scheme should prioritize DAEs, otherwise the existing imbalance would continue and get worse. While DAEs were currently prioritized and there was an increase in the accreditation of DAEs, a number of DAEs had been accredited for lower environmental and social risk levels and small and micro projects. Consequently, international AEs had 74 per cent of approved projects and 87 per cent of the total finance committed.

734. In terms of ensuring that the approach did not dilute GCF standards, another Board member requested that this point be detailed in the decision contained in annex I to document GCF/B.19/28. In addition, they wished to see the following points included and detailed in the decision contained in annex II: (i) the length of time for the pilot scheme; and (ii) a review of the pilot scheme to assess whether this approach was fit for purpose.

735. The need for a clear reference to a time frame in the decision text was supported by another Board member, who also requested that it make clear that the PSAA would only apply to funding proposals for RFPs and the SAP. The Board member said that this was a difficult issue because, on the one hand, AEs could achieve transformative impacts as they had to adopt higher standards, while, on the other hand, the lengthy accreditation process meant that many

interesting concept notes in response to RFPs, including those from private sector entities, would not be taken forward without a new approach.

736. On concerns that the new approach might disincentivize entities from applying for accreditation, another Board member reminded the Board that GCF aimed to redirect financial flows towards low-carbon and climate-resilient development pathways. As such, paragraph 35 of the Monitoring and Accountability Framework required that AEs prove that their efforts had shifted their portfolio towards GCF goals. On specific points, the Board member stated that the PSAA proposed four pilot schemes through three RFPs and the SAP, which in their view was too many. They requested that the following points be included in the decision to reduce the risks: (i) limit the maximum number of funding proposals to one or two per entity, instead of three funding proposals per entity; (ii) limit the pilot scheme to low-risk projects; (iii) limit the individual amounts of funding that could go through this pilot scheme; (iv) limit the duration of the pilot scheme; and (v) remove MFS from the scope of the PSAA, as the rationale for MFS was less clear than those of other RFPs.

737. Another Board member highlighted a number of points: (i) the project-specific assessment should involve some form of collaboration with the AP, such as the AP providing guidance to the Secretariat without duplicating efforts; (ii) assessments must meet GCF fiduciary standards, ESS and operational procedures for projects; (iii) the PSAA should only apply to the SAP and RFPs, including EDA, MSMEs and MFS; (iv) as well as being time-limited, the pilot scheme should be based on lessons learned; (v) the Board may subsequently take a decision to integrate the PSAA in the revised accreditation framework; and (vi) the pilot scheme should not prevent entities from seeking accreditation.

738. One Board member stated that the PSAA would be a departure from the approach defined by paragraph 45 of the Governing Instrument, which explicitly indicated that GCF resources would be channelled through the international and national entities accredited to GCF. Such a significant change should be considered with great caution. They said that it was premature to approve the proposed PSAA, considering that the full review of the accreditation framework had not been finalized. On specific points, they recommended limiting the PSAA pilot scheme to micro and small projects by DAEs for EDA and MSME RFPs, and the SAP. Furthermore, they proposed limiting it to one proposal per entity. Lastly, they stated that the PSAA was inappropriate for the MFS pilot scheme, which involved financial institutions and tended to be more complex with greater reputational risks. For said Board member, there were other ways to expedite the accreditation process, such as the reduction of duplicate reviews. This should be discussed as part of the full review at B.20 and, as such, it was premature to approve the proposed PSAA. They proposed deferring the consideration of paragraphs (c), (d) and (e) of the draft decision. The views of said Board member were echoed by another Board member, who stated that this represented a major change to the accreditation framework. They expressed concerns regarding: (i) the costs, including staffing and budget implications; and (ii) the capacity of the Secretariat to assess GCF standards, such as ESS. If the project-specific assessment was conducted by the same staff who were conducting accreditation reviews, this could result in a dilution of efforts given the backlog in the approval of applications for accreditation.

739. Another Board member expressed strong support for the PSAA on behalf of their SIDS constituency.

740. They noted with satisfaction that a pilot scheme was proposed, through which the GCF could learn and then respond to challenges more effectively. As far as they were concerned, the integrity of GCF should never be compromised. The PSAA was a proactive way in which the Secretariat could seek to address existing challenges, while at the same time pursuing the full review of the accreditation framework to streamline and expedite the process.

741. Another Board member expressed support for the proposed PSAA on a time-bound, pilot basis for RFPs and the SAP, provided that projects would be scrutinized for the level of innovation and impact. However, they noted that there was clearly a reputational risk for GCF, because the specific project could meet GCF standards while the institution may not have a shift in their portfolio towards low-carbon and climate-resilient development.

742. A Board member welcomed the proposal for the Secretariat to report back to the Board on the PSAA pilot scheme, but suggested that the reporting should be undertaken once a year instead of at every Board meeting. Another Board member said that the PSAA proposal should be taken up at B.20. They welcomed further discussions on proposed limitations of the PSAA. Assuming that the Board supported the PSAA, they suggested that the AP should consider projects, rather than Secretariat project staff.

743. The Co-Chairs invited interventions from active observers.

744. The active observer for PSOs welcomed the proposed PSAA and the flexibility for addressing recognized challenges in the accreditation process. The concept of project-linked accreditation was especially useful for entities who were not in a position to bring a high number of projects or programmes to the GCF or for whom the existing process was daunting. Within the private or quasi-private sector, the range of different entities who might wish to work with GCF was broad. For MDBs or large commercial banks focusing on climate-related lending, traditional accreditation may be appropriate, but for a diversified investment fund or global development or construction company, the PSAA would make more sense. In addition to streamlining the process for individual project components, the PSAA would allow applicant entities to work with and see the value of GCF support before making the substantial time commitment and financial investment for full accreditation. The potential downside of the PSAA was the additional time required for the assessment of the accreditation element of the project, which would be lengthy for each funding proposal to reach approval. To address this, GCF should consider the assessment and scrutiny conducted by appropriate local regulators or ratings agencies for regulated financial institutions. Such third-party oversight bodies already verified a significant subset of the fiduciary standards required by GCF accreditation. In addition, GCF should recognize the legitimacy and competency of the national and regional financial sector regulators. To avoid duplication, the PSAA needed to expedite the process for the second or third project proposal brought by the same entity, which could focus on solely incremental assurance for requirements. For entities that completed the PSAA and intended to subsequently pursue full accreditation, the related due diligence and track record of GCF projects should be taken into account.

745. An active observer for CSOs expressed two main concerns with the PSAA, both in terms of process and substance. As the full review of the accreditation framework had not yet been finalized, it was premature to consider the PSAA at B.19. Furthermore, the observer stated that legal clarification was needed on whether the PSAA contravened paragraph 45 of the Governing Instrument. On the other hand, the PSAA could provide an interesting opportunity to allow entities from developing countries with one project that had limited risks to access GCF funding more easily. However, it would be necessary to check institutional competence to ensure that all standards required by GCF to deliver projects were met. Civil society recommended limiting the PSAA to micro or small projects from DAEs under the SAP or the RFP pilots for EDA and MSME. It should be restricted to one proposal per entity, and was not appropriate for MFS, considering the reputational risk. The core of GCF engagement with entities was to shift their overall portfolio in line with paragraph 35 of the Monitoring and Accountability Framework. GCF would lose this opportunity to support a paradigm shift beyond its own projects if entities could avoid accreditation, especially for large-scale projects, aimed at leveraging and mobilizing. This was another reason not to open such an approach to larger international institutions, particularly in the MFS pilot scheme. This decision should not be rushed. Civil society had been told, when it

had wished to see faster progress on the SAP, that it was necessary to wait for the review of the proposal approval process. This same principle should be applied now.

746. A Board member proposed that GCF could try such a pilot for the Readiness Programme on delivery partners. The Secretariat could use a similar approach to the PSAA to create a new mechanism for the Readiness Programme. The broader picture was that entities were stuck in a long pipeline, after which they then experienced delays in concluding AMAs and FAAs. The PSAA, as proposed, did not provide sufficient guidance as there were no eligibility criteria and there was limited scope. NDAs had not been enabled to prepare country work programmes to express their needs and priorities, and AEs had not been able to bring forward entity work programmes to inform the Board, and the world, of their intended activities. The PSAA would not solve this problem and was the least cost-effective approach for accreditation, given the number of countries and the high potential for conflicts of interest.

Other comments

747. One Board member requested an update on the number of entities that had applied through the fast-track approach. Another member expressed satisfaction at the increased number of DAEs and looked forward to more DAEs in LDCs and SIDS. One Board member expressed concern at the lack of accreditation proposals at B.19, particularly in view of the guidance from the COP. Another noted that the GCF Independent Redress Mechanism (IRM) had been a bottleneck for a number of AEs when signing AMAs, especially in terms of whose redress mechanisms (i.e. those of GCF or the AE) should apply in the event of the need for redress. They proposed that, should there be any requests for reconsideration of decisions taken by the Board, the IRM should take precedence.

748. Representatives of the Secretariat gave the following responses to points raised by Board members.

Review of the accreditation framework

749. The Secretariat took note of the recommendations regarding the review of the accreditation framework in terms of the aspects that the Board expected to be contained in the review to be presented at B.20.

Project-specific assessment approach

750. Regarding the PSAA, the Secretariat noted the following recommendations:

- (a) Prioritization: DAEs and micro and small projects would be prioritized;
- (b) Institutional transformation: this would be pursued in accordance with paragraph 35 of the Monitoring and Accountability Framework. It could also be applied to institutions seeking to pursue the PSAA, similarly to its current application to AEs;
- (c) Reputational risk: language had been added to the revised draft decision to reflect the fact that the assessment by the Secretariat would contain an assessment of potential reputational risk. This could be similar to the current approach that the AP undertook when assessing entities for accreditation;
- (d) Scope: language would be added to the draft decision to reflect the fact that the PSAA was for RFPs and the SAP and would be limited to a maximum of one funding proposal per entity;
- (e) Timing of the overall pilot: language would be added to the draft decision to limit the time frame of the pilot to two years;

- (f) Review of the pilot scheme: this could be added to the draft decision, reflecting the fact that it would be undertaken two years after the pilot scheme was operationalized;
- (g) Staffing implications: the PSAA would be completed by project teams within the Secretariat, rather than by those operationalizing the accreditation process, as the PSAA was focused on the entity's ability to undertake the proposed project in accordance with GCF standards rather than an institution-wide assessment; and
- (h) Potential application to the Readiness Programme: the representative of the Secretariat stated that the Programme already followed such an approach. GCF did not assess a delivery partner until the NDA submitted the readiness proposal, signalling that they intended to work with a certain delivery partner. Thereafter, the delivery partner would be assessed regarding their ability to undertake the readiness proposal.

751. The Co-Chairs recalled the draft decision contained in annex I to document GCF/B.19/28, noting that even if the Board did not approve the PSAA, the draft decision also included the following:

- (a) Operationalizing the PSAA within three months of the date of the decision;
- (b) Reporting to the Board at each Board meeting on the operationalization and implementation of the PSAA; and
- (c) Extending the prioritization of accreditation until the end of B.20, as proposed by the AC.

752. They proposed deferring the draft decision to allow for further consultations.

753. Two Board members stated that they could not support a decision on the PSAA at the current meeting. One Board member wished the item would be deferred to B.20 and requested the Secretariat to take note of Board comments and integrate these within the wider review of the accreditation framework. The second Board member said that it was premature to be considering this new approach when GCF had very limited data on which to make a judgment about whether this concept would work. The report from the Interim Trustee demonstrated the limited funds disbursed versus the commitment authority. In their view, there would be little value in reconsidering the PSAA at B.20.

754. The Co-Chairs proposed to defer the item, noting an amendment received from the AC stating that this proposal would be presented again at B.20. A short discussion ensued on the meaning of "deferred" in the context of the present meeting. The Co-Chairs clarified that the deferral referred only to the PSAA element of the draft decision. During the ensuing discussion, a Board member proposed removing paragraphs (c), (d) and (e) from the draft decision and retaining paragraphs (a) on the progress report and (b) on the full report on the review of the accreditation framework at B.20, plus an additional paragraph on the extension of prioritization.

755. Another Board member expressed concern at the message being sent by the Board regarding RFPs, namely that RFPs had been launched, entities had subsequently submitted interesting proposals, but GCF was then unable to move forward. The PSAA decision should be taken as soon as possible. They said that paragraphs (c) and (d) of the draft decision should be retained.

756. Another Board member stated that they could approve paragraphs (a) and (b) of the draft decision, but not paragraph (c). They wished to await the full review of the accreditation framework and were not in favour of an extension of prioritization.

757. The Co-Chairs adjourned the item.

758. The Co-Chairs reopened the item on the last day of the meeting.

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

760. The representative informed the Board that they had received further comments on the draft decision regarding paragraphs (a), (b) and (c). Furthermore, two additional paragraphs had been added to note the proposed PSAA and to request the Secretariat to further develop the PSAA for the Board's consideration at B.20, which would also take into account the outcomes of the full review of the accreditation framework.

761. The Co-Chairs drew the attention of the Board to the revised draft decision presented on the Boardroom screen.

762. A Board member stated that they were not in favour of approving draft decisions by presenting the drafts on the Boardroom screen and then waiting for several weeks for the compendium of decisions of the meeting. With respect to paragraph (e), they stated that the PSAA should be part of the full review of the accreditation framework, rather than taking into account the outcomes of the full review. This view was supported by another Board member. One Board member noted an error in paragraph (e), where the reference should be to paragraph (d). The first Board member took the floor again to request that paragraph (e) should read "...taking into account the views of Board members and as part of the proposals from the full review of..."

763. The Co-Chairs asked if the Board could adopt the draft decision, as amended.

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

765. The Board took note of document GCF/B.19/28.

766. 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.*

Status of accreditation matters

765. The Co-Chairs opened the second part of the agenda item and introduced document GCF/B.19/14/Rev.01 titled "Status of accreditation matters". They invited a representative of the Secretariat to provide an update for the Board on the status of accreditation.

766. The representative of the Secretariat presented an update on the status of accreditation as contained in the document. The representative presented the results of operationalizing the Board's decision on prioritizing entities for accreditation. The representative also provided an update on the status of the pipeline of accreditation applicants. In particular, the representative highlighted that, since 17 October 2017, the membership of the AP had lacked quorum. The Board had appointed members to the AP the previous week, on 19 February 2018, and the Secretariat was proceeding to contract the AP members. Once completed, the AP would be able to resume its review and recommendations of entities for accreditation. Owing to the lack of quorum in the AP, there were no entities recommended by the AP for consideration at B.19. The representative also provided an update on the support provided to DAEs seeking accreditation and direct access AEs.

767. The Co-Chairs asked if the Board could adopt the draft decision.

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

769. The Board took note of document GCF/B.19/14/Rev.01.

770. 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

771. This agenda item was not opened.

(b) Revised Readiness and Preparatory Support Work Programme

772. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.19/32/Rev.01, and its addendum Add.01, titled "Readiness and Preparatory Support Programme: revised work programme for 2018". They invited a representative of the Secretariat to take the floor.

773. A representative of the Secretariat presented a brief summary of the document.

774. The agenda item was suspended.

775. The Co-Chairs reopened the agenda sub-item later on the same day of the meeting and invited the Board to adopt the draft decision contained in annex I to document GCF/B.19/32/Rev.01.

776. A Board member proposed that document GCF/B.19/32/Rev.01, annex II, paragraph 3, be amended to include a requirement for the Secretariat to take into account the outcomes of the independent evaluation of the Readiness Programme.

777. The Co-Chairs took note of the comment and invited the Board to adopt the draft decision, as amended.

778. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

779. The Board took note of document GCF/B.19/32/Rev.01 and its addendum Add.01.

780. 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

783. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/BM-2017/14 titled "Terms of Reference for the Independent Evaluation of the Readiness and Preparatory Support Programme of the GCF" (limited distribution), which had been transmitted to the Board for approval between B.18 and B.19. They noted that an objection to the proposed decision had been received from a Board member and that, in accordance with the Rules of Procedure, the objection and comments had been communicated by the Secretariat to the Co-Chairs for further consultations. The Co-Chairs invited the Head of IEU to take the floor.

784. The Head of IEU presented a brief summary of the document.

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

786. Several Board members expressed support for the draft decision. Some said that although the terms of reference contained in the document could be further improved, it was of utmost importance to evaluate the Readiness and Preparatory Support Programme (the Readiness Programme) in order to demonstrate and learn from its results, which in turn would also help to reinforce the credibility of GCF; they therefore urged the Board to adopt the terms

of reference without delay to allow swift completion of the evaluation. One Board member said that the responsibility for establishing the terms of reference for the evaluation lay with IEU, not the Board.

787. Another Board member stated that they had not received the document and wished to know whether the terms of reference had been updated since the publication of the final report from Dalberg on the initial review of the Readiness Programme (contained in document GCF/B.19/32/Add.01 titled “Readiness and Preparatory Support Programme: Revised Work Programme for 2018 – Addendum I: Final report from Dalberg on the initial review of the Readiness Programme”) and whether the recommendations from the Dalberg report would be implemented immediately or following the completion of the independent evaluation of the Readiness Programme, which would take approximately eight months. Based on their current understanding of the matter, the Board member did not wish to approve the terms of reference as proposed.

788. The Head of IEU said that the initial review carried out by Dalberg would be taken into account as constructive groundwork for the independent evaluation, which itself would be a much more comprehensive exercise.

789. An active observer for CSOs welcomed the findings of the Dalberg report, in particular its reference to the need to enhance efforts to build the capacity of technical experts at the national level, including expertise from women, indigenous peoples and local communities, and its support for the upcoming comprehensive independent evaluation of the Readiness Programme, planned for 2018. The observer looked forward to actively contributing to the independent evaluation, including, if possible, through a dialogue session specifically dedicated to civil society, including women’s organizations and indigenous peoples. Lastly, the observer recommended that the independent evaluation should use clear indicators to assess the extent and effectiveness of stakeholder engagement at the country level.

790. A Board member highlighted the relevance of collecting input from NDAs in the evaluation process and suggested that, subject to IEU agreement, consultations to that end could be conducted on the margins of the GCF regional structured dialogues. They also enquired as to whether Board members and the Secretariat would be called upon for their input to the independent evaluation, and, if so, what framework would be used for that purpose.

791. Two Board members said that the release of readiness funds should by no means be considered as contingent upon the completion of the upcoming independent evaluation of the Readiness Programme; one recalled that the Board, in its decision B.18/09, had decided to advance a portion of the requested readiness funds for 2017 and 2018 at B.18, with further funding to be approved at B.19 following consideration of the outcome of the initial review of the Readiness Programme (contained in the Dalberg report).

792. A Board member said that eight months was an excessive length of time to wait for the results of the independent evaluation and requested that a shorter time frame be established.

793. The Head of IEU took note of the comments and affirmed that input would be collected from a range of stakeholders, including Board members, alternate Board members and civil society, as part of the independent evaluation process.

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

795. A Board member opposed the adoption of the draft decision, stating that they wished to see the full text of the draft decision and the findings of the initial review (the Dalberg report) before they would agree to adopting the draft decision.

796. The agenda sub-item was suspended.

797. The Co-Chairs reopened the agenda sub-item on the final day of the meeting and noted that a revised draft decision had been circulated to the Board. They invited the Head of IEU to take the floor.

798. The Head of IEU outlined the following revisions to the draft decision: the timeline for the evaluation had been reduced from eight to four months; and the terms of reference for the independent evaluation now explicitly stated a requirement for the evaluation of the Readiness Programme to include consultations with Board members, alternate Board members and civil society representatives, and take into account the findings of the Dalberg report.

799. The Co-Chairs invited the Board to adopt the draft decision contained in annex I to the document.

800. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

801. 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

802. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.19/35 titled “Consolidated Country and Entity Work Programmes” and its addenda Add.01 titled “Consolidated Country and Entity Work Programmes – Addendum I: Compilation of Country Programmes completed by countries” (general distribution) and Add.02–04 (limited distribution). They invited a representative of the Secretariat to take the floor.

803. A representative of the Secretariat presented a brief summary of the documents.

804. The agenda item was suspended.

805. The Co-Chairs reopened the agenda sub-item later on the same day of the meeting and invited the Board to adopt the draft decision contained in annex I to the document.

806. Board members suggested a number of minor amendments to the draft decision.

807. The Co-Chairs took note of the amendments.

808. Two Board members requested deferral of this agenda sub-item to B.20: one said that they wished to see a final version of the draft decision, with the above-mentioned amendments incorporated, before agreeing to its adoption; the other said that they were not prepared to approve additional funding for the Readiness Programme until further evidence had been provided to demonstrate its effectiveness.

809. The Board took note of document GCF/B.19/35 and its addenda Add.01 (general distribution) and Add.02–04 (limited distribution).

810. The agenda item was suspended.

811. The agenda item was not reopened during the current meeting.

Agenda item 22: Private sector matters

(a) Private sector outreach plan

812. The Co-Chairs opened agenda sub-item 22(a) and introduced document GCF/B.19/30 titled “PSAG recommendations on the development of a private sector outreach plan”. They invited members of the PSAG into the Boardroom. They thanked the Secretariat and the PSAG for developing the document and asked alternate members, Mr. Nauman Bhatti and Mr. Stefan Denzler, co-chairs of the PSAG, to introduce the document.

813. Mr. Bhatti welcomed PSAG members and said that the PSAG had also arranged a back-to-back meeting to enable the PSAG to interact with Board members. Mr. Bhatti then provided a brief presentation and acknowledged fellow PSAG Board members, Mr. Ignacio Lorenzo and Ms. Merete Pedersen, who had contributed to the draft decision text circulated the previous day to Board members.

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

814. The Co-Chairs opened agenda sub-item 22(b) and introduced document GCF/B.19/31 titled “PSAG recommendations on the development of modalities to support activities enabling private sector involvement in LDCs and SIDS”.

815. Mr. Stefan Denzler provided a brief summary of the document.

816. Following the presentation, the Co-Chairs stated that a separate one-page decision text from the PSAG had been distributed to Board members. Mr. Denzler confirmed that it had been circulated to the Board electronically the previous day and a hard copy was now being circulated to Board members. The Co-Chairs opened the floor for comments.

817. Board members proceeded to discuss the two documents concurrently.

General comments

818. Several Board members stated that private sector financing was critical to combating climate change, with one noting that the Board had been slowly embracing the role of the private sector. The latter point was echoed by another Board member, who said that there had been concerns about the role of the private sector among some Board members and that this had not been helped by the fact that, to date, GCF did not have any strong public–private sector models to follow. Board members also expressed thanks to the PSAG for its work and to the co-opted Board members from the LDCs and SIDS, Mr. Evans Njewa and Mr. Roland Jumeau. One Board member also wished to record their appreciation to Mr. Fakir for establishing the work of the PSAG and for its achievements in 2017. Others observed that it was clear that the PSAG discussions held in Copenhagen in 2017 had been very rich, with one noting that the PSAG was increasingly tackling more complex topics such as SIDS and LDCs, and adaptation.

Recommendations and draft decisions

819. There was broad support for the recommendations of the PSAG. A number of specific points were made in this regard. One Board member requested that greater emphasis be placed on the support of technology transfer and development. Another Board member was pleased to see the recommendations from the PSAG, which was comprised of members from the private sector, since an extensive dialogue with the private sector was needed if the Board were to successfully address barriers to private sector engagement. A third Board member highlighted the recommendations on incentives for the private sector in LDCs and SIDS. With regard to

LDCs and SIDS, a fourth Board member noted that there could be a way forward by bundling small-sized projects while also examining the possibility of training local financial institutions to provide credit lines. A fifth Board member highlighted the importance of capacity-building for SMEs in LDCs and SIDS to enable them to negotiate as equal partners and to submit proposals; it was crucial that they became the lead partners. Several Board members stressed the need for a focus on domestic private sector institutions, something the PSAG had discussed; to be transformative, the focus should not only be on multinational corporations and the decision text needed to make this very clear. In this regard, they also wished to amend the draft decision under sub-item 22(b), paragraph (d), to refer to policy “development” not merely policy “revision”.

820. With reference to the draft decision under sub-item 22(a), a Board member questioned the reference to the Secretariat’s strategic road map for leveraging, mobilizing and engaging the private sector. Similarly, there was reference to a communications strategy, but there was still no GCF communications strategy. In both these cases, there was a reference to documents that did not exist. Another Board member emphasized that in LDCs and SIDS, making room for the private sector was key to government priorities to reduce poverty through economic growth. One Board member underlined the need for GCF to take actions to improve the regulatory framework and provide predictability for the private sector, as this was key.

821. Several Board members highlighted the role of structured dialogues. One Board member said that while the involvement of the sector in these dialogues was vital, they needed to be well-focused. However, they cautioned that although they were supportive of the planned outreach event during 2018, outstanding policy gaps needed to be addressed first. Another Board member expressed a preference for annual private sector outreach to be related to regional dialogues rather than a separate private sector event. Another Board member said that many of the issues raised were about how GCF could create enabling environments and, in this context, much could be achieved through structured dialogues. The need for simplicity in communicating with the private sector was key for another Board member, using appropriate networks.

822. Several Board members referenced accreditation in their interventions. A Board member, who was also the chair of the AC, said that they looked forward to the recommendations from the PSAG on how to improve the accreditation system. Another Board member said that while GCF should aim for shorter accreditation timelines, this should apply to all AEs that were applying for accreditation, not just the private sector. Another Board member stated that although they were not opposed to accrediting the private sector, they wished to see the private sector involved in the implementation side of GCF activities; their involvement should not just be about one successful project as part of a public relations exercise for their company, but their business should be transformational and act as a role model in order to be a GCF partner. It was also important to have local finance and credit lines. Another Board member reminded the Board that the PSAG had suggested ideas for improving the overall GCF cycle as it related to the private sector, including accreditation, policies and readiness.

823. Several specific suggestions were made by Board members for private sector engagement during 2018, including an adaptation conference to be held in South Africa and a mining conference, also in South Africa.

824. Regarding RFPs, a Board member, while supporting their use, noted that little progress had been made so far.

825. Board members discussed a possible amendment proposed by one Board member to the draft decision for sub-item 22(b), where the development of modalities was referenced. They suggested that this should include the words “as appropriate”. Divergent views were expressed, and the Board member who initially proposed this amendment subsequently withdrew it.

826. The Co-Chairs invited the active observer for PSOs to take the floor.

827. The PSO active observer expressed full support for the recommendations of the PSAG. They highlighted one issue which they stated was common to both documents, namely the importance of responsiveness of engagement with the private sector and timeliness of decision-making; this was currently one of the greatest constraints for the private sector in engaging with GCF. This had also been notable during the successful MFS RFP. They reminded the Board that the RFP closed in August 2017 and six months had now passed without a decision as to which proposals would be supported. This would be considered a woefully slow turnaround in a private sector context. However, the observer expressed appreciation for the work, and supported the draft decisions under consideration. The PSO community stood ready to help in the development of an outreach event, or events, in whatever format was agreed by the Board.

828. The Co-Chairs invited an active observer for CSOs to take the floor.

829. With regard to sub-item 22(a) on the private sector outreach plan, the active observer for CSOs stated that the document contained a number of welcome recommendations, including that standard accreditation timelines should be tracked and expedited. They also supported the suggestion that GCF communications should be made available in languages other than English. The Board should formally request that GCF outreach materials be made available in all official United Nations languages (and local languages, where possible); this should be reflected by a budget allocation for this task and reflected in the draft decision.

830. They welcomed the suggestion that the existing RFPs would be reviewed for lessons learned and possibilities for improvement.

831. While acknowledging that the current accreditation process was a significant barrier to private sector involvement (particularly among the DAEs that GCF should be encouraging), civil society was of the view that GCF should also recognize the continued importance of accreditation as a check on the ability of AEs to perform the due diligence functions required of them.

832. With regard to sub-item 22(b), the active observer for CSOs again acknowledged a number of welcome recommendations, in particular the commitment to support technical and vocational education and training, and training in climate-related finance for the local financial sector and businesses, with special attention to be given to micro-businesses.

833. They requested that the draft decision include a requirement to develop modalities for private sector LDCs and SIDS and formally requested that support for technical and vocational education and training and financial literacy, among other suggestions, were included within the scope of the GCF Readiness and Preparatory Support Programme. Investment guidelines for private sector projects in LDCs and SIDS should also include support for technical assistance programmes of this nature.

834. With reference to industry associations, they stated that if GCF support was provided for such bodies to help design local policy and regulatory environments, this should be in a context of a social dialogue involving trade unions and local civil society actors.

835. They also said that civil society agreed that GCF support for “the development of policy, regulatory and financial institutions frameworks” be embedded in country ownership, which implied not just the involvement of State institutions, but also civil society groups such as indigenous peoples’ organizations, trade unions, community associations and consumer groups.

836. The Co-Chairs invited a representative of the PSAG to take the floor. The representative thanked the Board for the opportunity to engage in the process. They noted that the private sector was aware of GCF and was interested in engagement. The representative highlighted the extreme need for the private sector to have certainty and predictability in its engagement with GCF. Furthermore, there was a need for a focus on speed in aspects of the accreditation process and framework agreements. Lastly, they said that the private sector also included domestic

entities and asked the Board to think of the sector not just as a source of finance but also as a source of entrepreneurship and capacity.

837. The Co-Chair reminded the Board that one major source of funding was the over USD 6.7 trillion of corporate cash listed on various international stock exchanges which could be used to tackle global climate change.

838. The Co-Chairs adjourned the agenda item.

839. The Co-Chairs reopened agenda item 22 later on the final day of the meeting and invited the co-opted Board members to take the floor.

840. Mr. Nauman Bhatti informed Board members of the amendments which had been made to the draft decision on the private sector outreach plan (sub-item 22(a)), with reference to paragraph (b), which now referred to both the domestic as well as the international private sector, and paragraph (c), which now included text specifying the intention to engage the private sector in regional GCF structured dialogues.

841. The Co-Chairs invited Board members to adopt the draft decision (B.19/30) for sub-item 22(a).

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

843. 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.*

846. The Co-Chairs invited Board members to adopt the draft decision (B.19/31) for sub-item 22(b).

847. A Board member suggested an amendment to the draft decision in order to clarify that the private sector was engaging in "project development" in LDCs and SIDS rather than leaving it very general as to the nature of that engagement. This was supported by another Board member, who stressed that the private sector must engage through NDAs to ensure that the principle of country ownership was maintained. A Board member said that what was intended was for the Secretariat to develop modalities, which would include the domestic and international private sector. Another Board member stated that the agenda item title came from a mandate in the Governing Instrument. However, they sought clarification as to why the revised decision text diverged from the text in the Governing Instrument.

848. Mr. Bhatti stated that the modification of the text from the Governing Instrument was in response to concerns from Board members that the domestic private sector was not included. Regarding the question on the nature of the private sector's engagement at the country level,

Mr. Bhatti said that it would be possible to amend the text to restrict their involvement, but that the intention was for GCF to support a broader range of activities at the country level, not only limited to projects.

849. The Board member, who had highlighted the importance of country ownership, stated that the decision text had to be restricted to the mandate of GCF. Another Board member noted that the Board was trying to find ways to stimulate the private sector in LDCs and SIDS. Some analysis would need to be undertaken by the Secretariat on the options, for subsequent presentation to the Board. The first Board member reiterated that the language on stimulating private sector engagement needed to adhere strictly to the mandate of GCF. The Board member who had first raised the point said that the intention was to amend the text to read: “to enable domestic and international private sector actors to engage in GCF activities in least developed countries and small island developing States”.

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

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

852. 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

853. This agenda item was not opened.

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

(a) Independent Evaluation Unit

854. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/07 titled “2018 Work Plan and Budget and Three-year Rolling Work Plan of the Independent Evaluation Unit”. They invited the Head of IEU to take the floor.

855. The Head of IEU presented a summary of the document.

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

857. Several Board members raised concerns regarding certain elements of the document: some said that an evaluation policy should be established before IEU focused on the evaluations themselves; two Board members said that the document should be aligned with the Governing Instrument, in particular paragraph 52 thereof. A Board member requested clarification on why a budget of USD 200,000 was required to develop the evaluation policy, and stated that such an activity should be covered by internal staff capacity rather than by hiring consultants. Two Board members suggested that the proposed annual budget for the evaluation of GCF-funded activities be compared with the annual evaluation budgets of other institutions that managed similar quantities of funding. Another Board member said that, before they would be willing to approve the document, the terms of reference of each evaluation activity must be brought in line with the overarching objectives of GCF and its Governing Instrument, and that evidence should be provided of the capacity of IEU to undertake the evaluations listed in the 2018 workplan.

858. A number of Board members expressed support for the document, noting that while it would benefit from further development, it would nonetheless provide a good basis on which to allow IEU to pursue its core functions. Several Board members emphasized the importance of the work of IEU in promoting the accountability and continuous learning of GCF, and ensuring that GCF set high standards of performance; they also said that the evaluation activities and budget proposed in the document should not be micro-managed by the Board and urged the Board to adopt the draft decision as proposed.

859. A number of Board members suggested that the concerns raised with regard to the document should be addressed at the meeting of the BC to be held later that day, at which Board members from outside the Committee should be invited to attend.

860. An active observer for CSOs highlighted the importance of engaging with a broad range of stakeholders when establishing the policy and standards of IEU, including CSOs, indigenous peoples and local communities. The policy and standards should be gender- and culture-responsive and should be provided in a variety of media formats, as well as in local languages.

861. The Co-Chairs took note of the comments and proposed that the document be further discussed at the meeting of the BC later that day, and that Board members who were not members of the BC should be invited to attend the meeting so that their views could be taken into consideration in the revised version of the document to be prepared by the Committee.

862. The agenda item was suspended.

863. The Co-Chairs reopened the agenda item on the final day of the meeting and noted that a revised document and draft decision had been circulated to the Board. They invited the Chair of the BC to take the floor to introduce the revised document.

864. The chair of the BC outlined the changes made to address the concerns raised by Board members, noting that the budget had been reduced to USD 2,953,867 and that the evaluation on adaptation had been deferred to the 2019 workplan.

865. The Co-Chairs invited the Board to adopt the draft decision contained in document GCF/B.19/07.

866. A Board member expressed support for the document while also emphasizing the importance of establishing an evaluation policy for GCF.

867. The Co-Chairs took note of the comment and affirmed that the revised draft decision contained a request to IEU to amend its three-year workplan once the evaluation policy of GCF had been adopted. They also noted that the BC had decided by consensus that, in following years, the proposed budgets of the independent units would be reviewed by the BC prior to being submitted to the Board for approval.

868. The Co-Chairs again invited the Board to adopt the draft decision contained in the document.

869. Seeing no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

870. The Board took note of document GCF/B.19/07.

871. 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.*

(b) Independent Integrity Unit

872. The Co-Chairs drew the attention of the Board to document GCF/B.19/24 titled “2018 Workplan and Budget of the Independent Integrity Unit”. They invited the Head of IIU to take the floor.

873. Mr. Ibrahim Pam, Head of IIU, presented an overview of the document, noting that the priorities of IIU for 2018 were to operationalize its approved integrity policies; develop comprehensive guidance for matters relating to integrity; take a proactive approach to prevention initiatives; advance the staffing plan; scale up investigative capacity; and host the 19th annual meeting of the Conference of International Investigators (CII).

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

875. While expressing support for the workplan and budget of IIU, a Board member called on IIU to ensure that all policies, in particular the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund (adopted in decision B.09/03), were fully applied. Recalling the provision of the Policy on Ethics and Conflicts of Interest that required Board members, alternates and advisers to declare their affiliation, if any, to entities doing business with GCF, the Board member noted that no such declarations had been received since the adoption of the Policy. They also urged IIU to submit to the Board the draft Policy on ethics and conflicts of interest for active observers of the Green Climate Fund, noting with concern that the draft policy document had been ready since B.17. Lastly, the Board member expressed concern regarding the potential for competition rather than cooperation between IIU and the Secretariat, and

requested Mr. Pam to describe the nature of interactions between IIU and the Secretariat, particularly with regard to consultations on the RMF.

876. A Board member wished to know what measures IIU had taken to guarantee its independence, particularly with regard to the development of policies, and enquired as to how the overlap between the mandates of IIU and the Secretariat was being managed. They also requested an update on development of a sanctions policy and asked how that policy would be applied during the pre-accreditation phase. Lastly, they suggested that IIU should add timelines for the deliverables set out in the workplan.

877. Another Board member said that the travel budget of IIU seemed high, noting that approximately 12 missions had been undertaken by IIU staff during a 12-month period.

878. Two Board members wished to know why IIU was planning to host the annual meeting of CII in 2018 and questioned whether such an activity could be considered a priority in relation to the mandate of GCF. One Board member said that the priority of IIU at the present time should be to develop the required policies, so as to use the services of the temporary consultants of IIU to best effect; they therefore proposed that if IIU were to host CII in 2018, the budget allocation for CII should be deducted from the budget allocation for consultants.

879. An active observer for CSOs expressed support for the workplan of IIU and urged the Board to approve the budget, which was critical to allow long-term planning and to enable IIU to perform its functions. They commended IIU on its dedication to developing and implementing its policies and urged the Board to consider the draft Whistleblower and Witness Protection Policy at its next meeting.

880. The Co-Chairs took note of the comments and invited Mr. Pam to take the floor.

881. The Head of IIU took note of the comments and affirmed that IIU would focus on ensuring full application of the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund. Noting that the active observers had expressed reservations on certain provisions of the draft policy on ethics and conflicts of interest for active observers of the Green Climate Fund, Mr. Pam suggested that active observers be invited to comment to explain their current position on the draft policy. While there were overlaps in the mandates of IIU and the Secretariat, this was to be expected at the current early stage; since the creation of IIU in 2016, the unit and the Secretariat had been working closely together to achieve the goals of GCF. IIU would welcome further guidance from the Board on how best to further develop its relationship with the Secretariat. IIU would consult with the Secretariat on the potential scope for IIU involvement in developing the RMF. As for the rationale behind the proposal to host CII, the Conference would offer an opportunity to build the profile of GCF within the network of international investigators, and to share expertise and best practices; these objectives fell under the terms of reference of IIU. Given that between one fifth and one quarter of the members of CII were accredited entities of GCF, the conference would provide a useful forum for discussion. Moreover, a proposal to host the conference in 2019 had already been approved by the Board as part of the 2017 workplan of IIU; the invitation for GCF to host the meeting in 2018 instead was a positive indication that IIU was quickly being seen as a credible institution by the international community and that GCF was establishing a reputation as a major international funding institution. With respect to the sanctions policy, IIU would deal with individual sanctions applications of external stakeholders based on international best practices. While the use of consultants was necessary at the current time given the lack of capacity within IIU (which only had two staff members), it would not be a long-term practice. With regard to the travel budget, IIU endeavoured to be as modest and cost-efficient as possible, and would welcome further guidance from the Board.

882. The Co-Chairs took note of the comments and invited an active observer for CSOs to comment on the draft policy on ethics and conflicts of interest for active observers of the Green Climate Fund.

883. An active observer for CSOs said that certain elements of the draft policy, as contained in document GCF/B.17/17, were of concern, especially given that the functions of an active observer were not the same as those of representatives of the Board or the Secretariat; in particular, paragraph 8 of the draft policy in its current form would infringe upon the freedom of speech of observers, thus undermining their functions.

884. Two Board members expressed support for the workplan, including the proposal to host the annual meeting of CII in 2018. They said that the budget allocation for hosting the Conference, at only 5 per cent of the total 2018 budget, was eminently reasonable. They also underlined that, in 2017, IIU had only spent 58 per cent of its total budget, which demonstrated the unit's prudent approach to expenditure. One Board member added that hosting CII would demonstrate the commitment of GCF to integrity, and that the presence of international experts at the conference would benefit not only IIU but also GCF as a whole.

885. The Co-Chairs took note of the comments and stated on behalf of the Secretariat that the draft policy on ethics and conflicts of interest for active observers would be submitted to the Board for consideration at B.20. They invited the Board to adopt the draft decision contained in annex IV to document GCF/B.19/24.

886. Seeing no objections, they took it that the Board wished to adopt the draft decision.

887. The Board took note of document GCF/B.19/24.

888. 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.

(c) Independent Redress Mechanism

889. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.19/08 titled "Independent Redress Mechanism Work Plan and Budget for 2018". They invited the Head of IRM to take the floor.

890. The Head of IRM, Mr. Lalanath De Silva, gave a brief introduction to IRM, including its mandate and terms of reference, and outlined the key elements of the workplan and budget as contained in the document. IRM currently had three staff members; no increase in staffing had been planned for 2018, but this could be adjusted if demand arose as a result of requests and complaints during the year. The contracts of the two current consultants (advisers) would be terminated later that year on conclusion of their work, which included developing the Procedures and Guidelines for IRM and its internal operating procedures. Further consultants would be hired if additional support were required to deal with the number of cases submitted to IRM; the number of cases was currently estimated at three per year. The case management system would be a one-off expenditure for the unit. IRM had fulfilled all outputs and outcomes expected by the Board in the approved workplan of IRM for 2017.

891. Recalling that the requirement for GCF to reconsider funding decisions was enshrined in Article 11, paragraph 3(b), of the Convention, a Board member stated for the record that a representative of UNFCCC should be present in the Boardroom at every Board meeting, with official observer status, so as to promote alignment between the work of the Board and the

Convention. Several other Board members endorsed that proposal; one said that it was consistent with the Rules of Procedure.

892. Noting that discussions on the Procedures and Guidelines of IRM were likely to continue for some time, a Board member asked whether the budget line for the two consultants working on the Procedures and Guidelines represented an additional allocation on top of the 2017 budget allocation for that task, or whether any remaining funds from the 2017 allocation had been carried over to the 2018 budget or returned to the Secretariat. They also wished to know the extent to which IRM would be involved in the negotiation of FAAs.

893. Two Board members suggested that, in the absence of consensus to approve a funding proposal, the Board should stipulate its reasons for not approving the funding proposal in question, in order to facilitate the work of IRM in dealing with any future requests for reconsideration.

894. An active observer for CSOs expressed support for the workplan of IRM and called on the Board to approve the workplan and budget of the IRM as proposed, in order to allow IRM to engage in long-term planning and perform its functions effectively. They welcomed the commitment of IRM to develop its procedures and looked forward to contributing to that process in due course. Lastly, they emphasized that IRM communications and outreach strategy – which was crucial in ensuring that all persons concerned were aware of the existence of IRM and how to access it – should specifically include outreach to indigenous peoples in a culturally appropriate manner and in local languages.

895. The Co-Chairs took note of the comments and said that a representative of UNFCCC was already present at the Board meeting, though not in the Boardroom itself. They invited Mr. De Silva to respond.

896. Mr. De Silva said that IRM would ensure that its mandate from COP was adequately reflected in its capacity-building and outreach programmes and literature. He also noted that GCF was formally required to include the outcomes of cases handled by IRM in its regular reporting to COP. On the budget, he reported that 94 per cent of the budget allocation for the two consultants in the 2017 budget had been spent; the remaining 6 per cent (USD 9,000) had been accounted for in the 2018 budget. The contracts of the current two consultants would end in August 2018 or shortly thereafter, as soon as the Procedures and Guidelines and internal operating procedures had been established.

897. The Co-Chairs took note of the comments and invited the Board to adopt the draft decision contained in annex I to document GCF/B.19/08.

898. There being no objections, the Co-Chairs took it that the Board wished to adopt the draft decision.

899. The Board took note of document GCF/B.19/08.

900. 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).

Agenda item 25: Administrative matters

(a) Reviewed administrative guidelines on procurement

901. This agenda item was not opened.

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

902. This agenda item was not opened.

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

903. The Co-Chairs opened the agenda item. They informed the Board that it was important to consider this item within the context of the fact that several major policy items were outstanding. At the same time, many members of the Board would complete their terms at the end of the year. Unless the existing policy framework was resolved by current Board members, a new generation of members would effectively have to begin discussions again. Furthermore, 2018 was a significant year for GCF as the initial resource mobilization period would end and there would be a performance review of GCF in preparation for COP 24.

904. There were several options open to the Board. These included more intersessional work, increasing the number of meetings during the year from three to four, or extending Board meetings to four days. They noted that these options were not mutually exclusive and that increasing the number of meetings would also potentially impact the funding proposal preparation cycle.

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

906. There was broad support for the proposal to hand over a full policy suite to new Board members.

907. Members proceeded to debate the advantages and disadvantages of holding more meetings; having longer formal meetings; retaining the concept of informal days; and greater intersessional decision-making. Several Board members supported having more meetings and also longer meetings, while others wished to continue with three meetings in 2018, with some suggesting that they would support four-day formal meetings during the year. While greater use of intersessional decision-making was supported by some Board members, others noted that this way of working was a huge challenge for them.

908. Other Board members felt that the issue was less about increasing the amount of time Board members spent meeting, and more about improving the efficiency with which the Board worked. This included ensuring that documents were distributed in time, with clear information on how Board members should respond and over what period of time. For another Board member, given the review of Board committees, it was important that this review examine how committees could be more successful in reaching consensus so that only fully formed documents were presented to the Board for decision. This would avoid considerable time being spent trying to resolve matters on the margins of the meeting. Another Board member noted that a Board workplan had been approved at B.18. They observed, therefore, that the question was how many days would be needed for the Board to implement said workplan, including decisions taken at B.19. Other Board members stated that it was important for the Board to carry out due diligence on agenda items that were being discussed and that this was an efficient use of time.

909. One Board member highlighted the fact that 2018 was a busy year with an extra negotiating meeting under UNFCCC that would make it difficult to accommodate a fourth Board meeting. They also noted that time was wasted in Board meetings when insufficient attention had been paid to the Governing Instrument when the Secretariat was preparing Board documents.

910. The Co-Chairs then turned the Board's attention to the proposed venues for 2018 meetings.

911. The Co-Chairs informed the Board that an expression of interest to host B.21 in Manama, Kingdom of Bahrain, had been received by the Secretariat from the Government of Bahrain through a letter dated 21 January 2018, signed by the Minister of Oil, Mr. Mohammed Khalifa Al-Khalifa.

912. On behalf of the Board, they expressed thanks to the Government of Bahrain for expressing interest to host a meeting of the Board. They proposed that the Board accept the invitation to hold B.21 in Manama, Kingdom of Bahrain, and that the Secretariat make plans accordingly. They opened the floor for comments.

913. A Board member expressed thanks to the Government of Bahrain. They stated that this was a small island kingdom in the Arabian Gulf doing excellent work on environmental matters, including hosting a regional office of the United Nations Environment Programme. It was one of the first Arab States to have a Ministry of the Environment despite the small size of the country, and it also had excellent consular facilities and hotels.

914. The proposal was supported by another Board member who said that, to date, GCF had not honoured this region with its presence and therefore the Board should consider accepting the kind invitation.

915. Board members then discussed the costs and other implications of holding Board meetings off site. The Secretariat explained several details regarding the time frame for the negotiation of bilateral agreements for privileges and immunities and the provision by the host country of matters such as hotels, catering and local transport. The Executive Director stated that off-site meetings created an additional workload for the Secretariat, although this was, to some extent, attenuated by host country logistical support. The additional costs were in the region of USD 200,000–250,000. On the benefit side, Board members had indicated to the Secretariat the value of understanding, at first hand, a country's climate change challenges and it provided a different and valuable perspective on the work of GCF.

916. The Co-Chairs asked Board members if they wished to approve Manama, Kingdom of Bahrain, as the venue for B.21. As there were no objections, it was deemed approved.

917. The Co-Chairs asked the Board to consider dates for B.21 and several options were considered. The Co-Chairs proposed that the meeting be held from Tuesday, 23 October to Friday, 26 October 2018. A Board member confirmed that this timing was acceptable to the host country. There being no objections, these dates were approved, subject to final confirmation at B.20.

918. The Co-Chairs asked the Board to consider dates for B.20 to be held in Songdo, Republic of Korea. Various views were expressed and, in conclusion, the Board decided to hold B.20 from Sunday, 1 July to Wednesday, 4 July 2018.

919. Several Board members expressed concern at the way in which decisions regarding dates were made. One Board member noted that UNFCCC set a five-year schedule. While recognizing that this time frame may not be practical for the Board, they proposed a two-year planning period. Another Board member reminded the Board that a decision had been taken at an earlier Board meeting for an 18-month planning cycle. They requested that that decision be implemented to avoid time-consuming discussions at every meeting.

920. The Co-Chairs reminded the Board of decision B.17/24, paragraph (c), wherein the Board recommended that the Secretariat propose, at the second Board meeting of each calendar year, the schedule of Board meetings for the following calendar year, with this process to begin at B.20. To help the implementation of this decision, and recognizing that an early identification of dates was important to avoid clashes, the Co-Chairs announced their intention to request the Secretariat to circulate, in advance of B.20, proposed dates for three meetings of the Board in 2019, seeking comments from Board members. Comments received would be taken into account in drawing up the 2019 Board meeting dates to be proposed for adoption by the Board at B.20.

921. The Co-Chairs invited the Board to adopt the draft decision contained in annex I to document GCF/B.19/42/Rev.01 titled “Dates and venues of the following meetings of the Board”.

922. 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

923. This agenda item was not opened.

Agenda item 28: Report of the meeting

924. The Co-Chairs reminded Board members that the decisions as adopted and their corresponding annexes would be distributed to Board members within two hours of the end of the meeting.

925. Document GCF/B.19/43 titled “Decisions of the Board – nineteenth meeting of the Board, 26 February–1 March 2018” was duly distributed to Board members.

Agenda item 29: Close of the meeting

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

Annex I: 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

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.

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

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

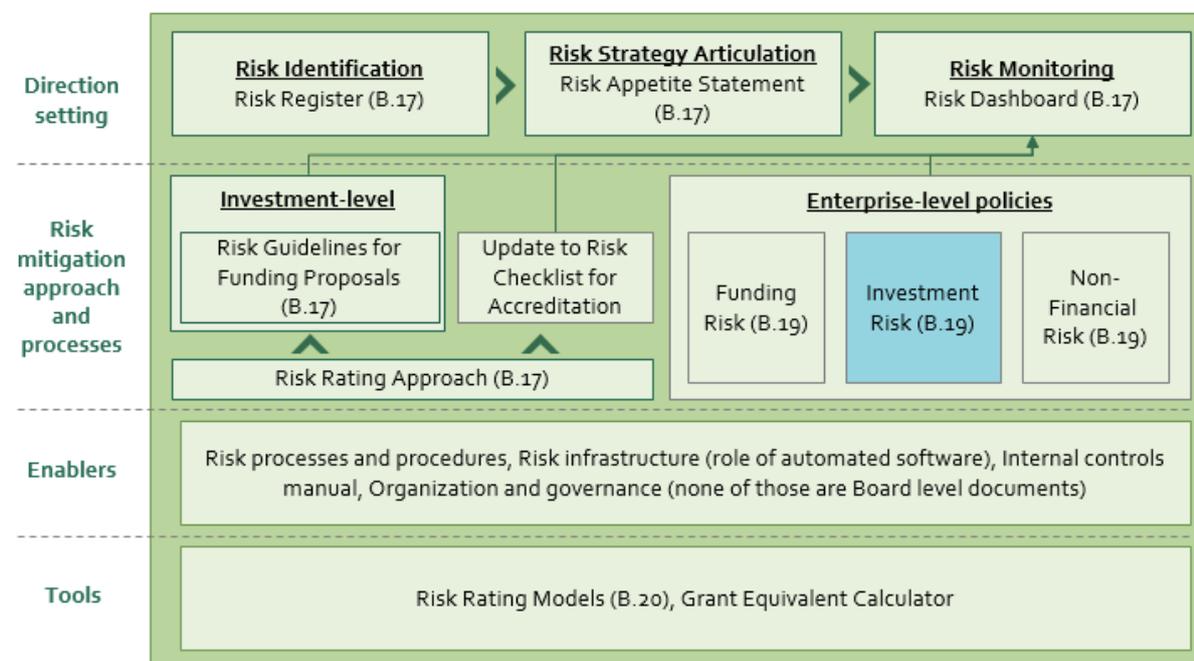
I. Introduction

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.

3.5.3. 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

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

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

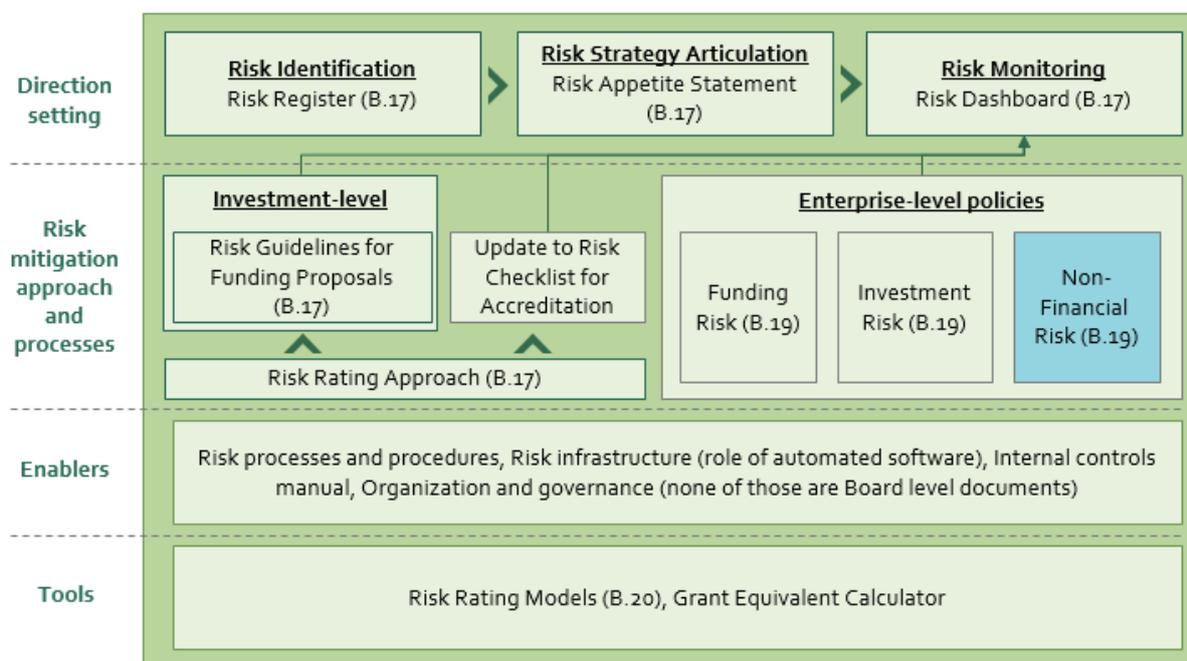
I. Introduction

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.

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.

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

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:

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.

- (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;
 - (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

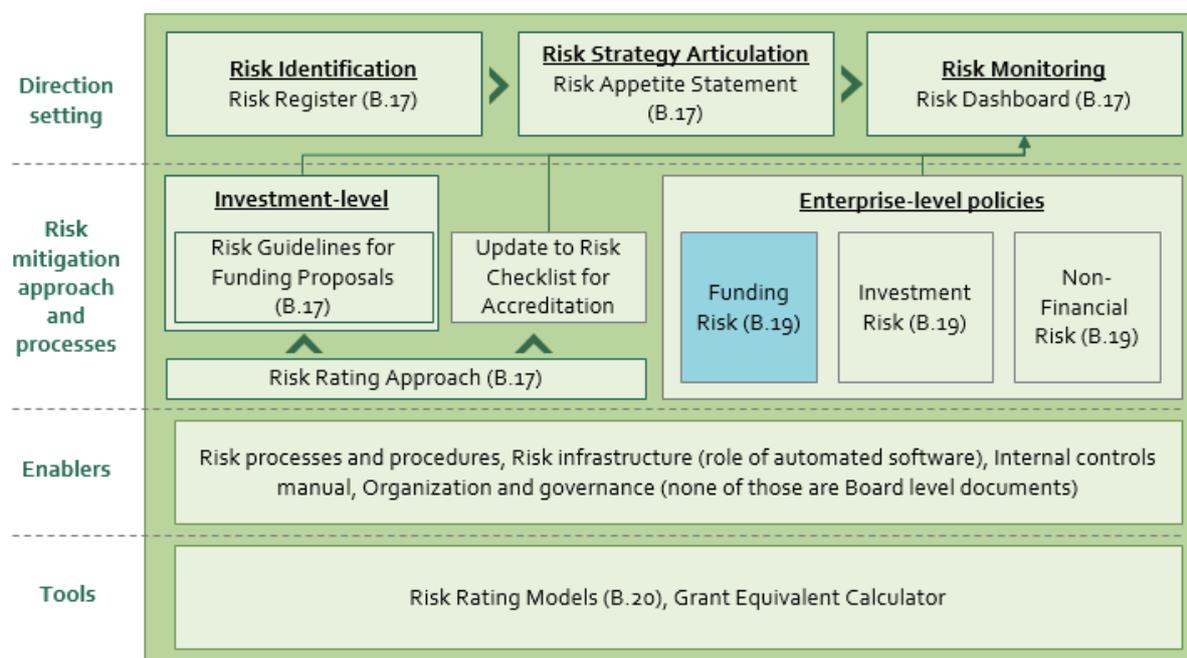
I. Introduction

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.

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.

- (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.
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.

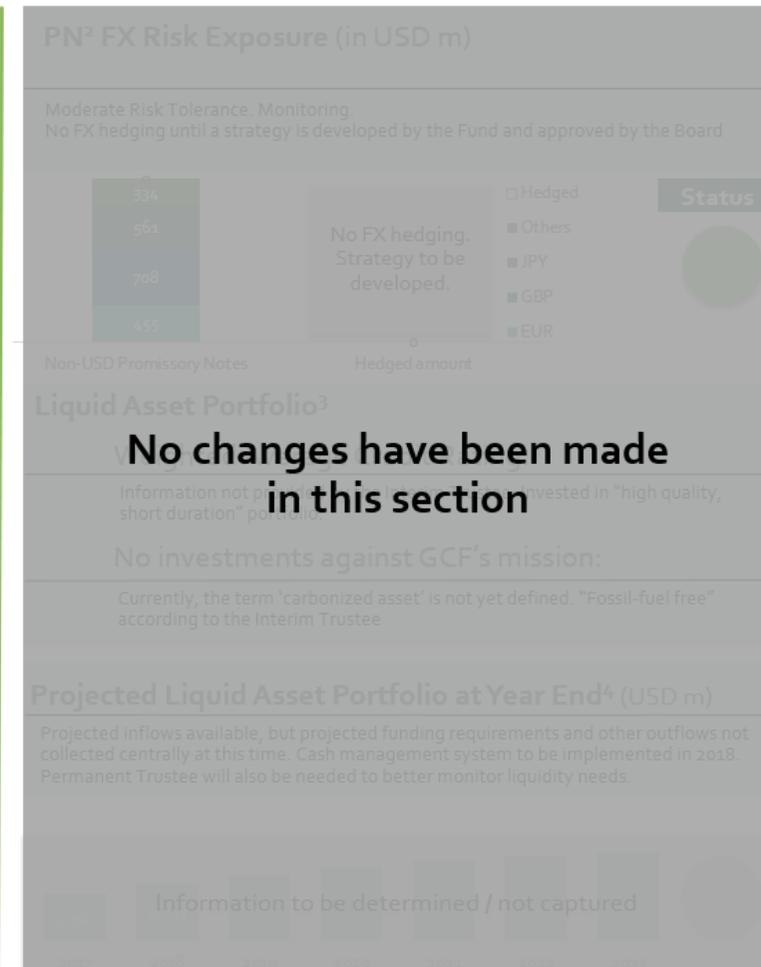
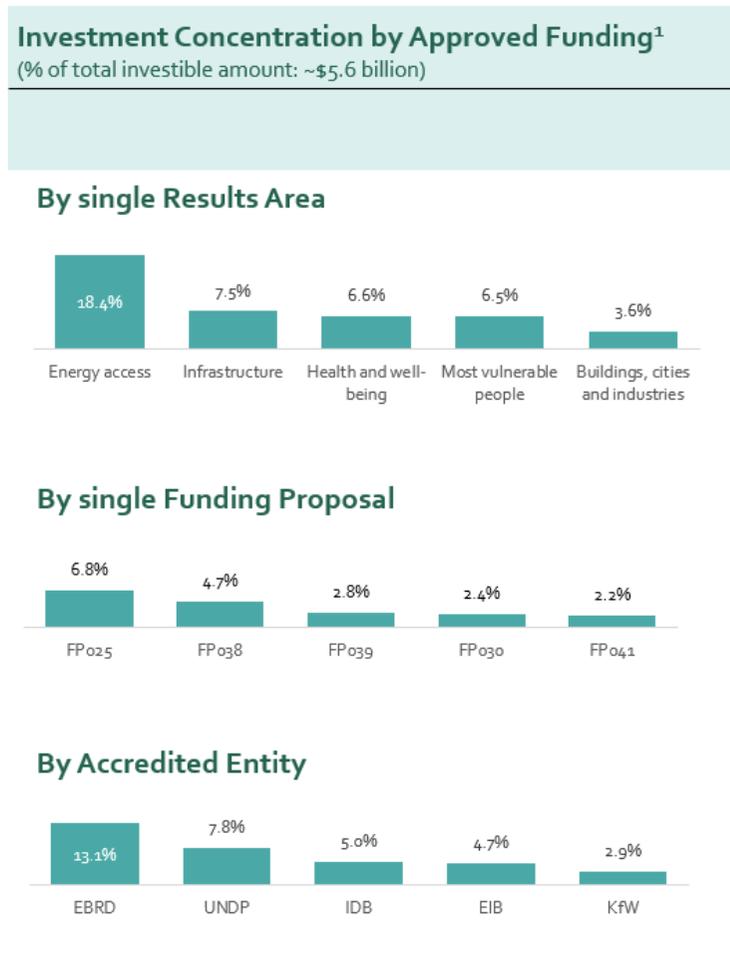
⁸ Conversion of funds to non-holding currencies may not be feasible within the Trustee account given the Interim Trustee Agreement. Hence either the GCF will hold non-holding currency assets in an alternative account, and if that is not feasible, then the strategy of immediate conversion will not be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

Size¹	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.

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.

8. PMC exceeding 5 per cent for a funding proposal exceeding USD 3 million will require detailed documentation supporting the entire PMC budget.
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

- (l) PMCs are not recommended to exceed 5 per cent of GEF project financing (which is above USD 2 million);
- (m) 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

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.

variable in designing plans to promote equitable access to benefits or to mitigate adverse impacts.

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 and 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

² As outlined in decision B.08/02

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

roster of indigenous peoples experts to be reviewed and updated in consultation with indigenous peoples and scholarly and policy referees.

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).

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>.

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 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

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.

a diversity in the type of project that can be undertaken using GCF resources (e.g. micro-sized 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.

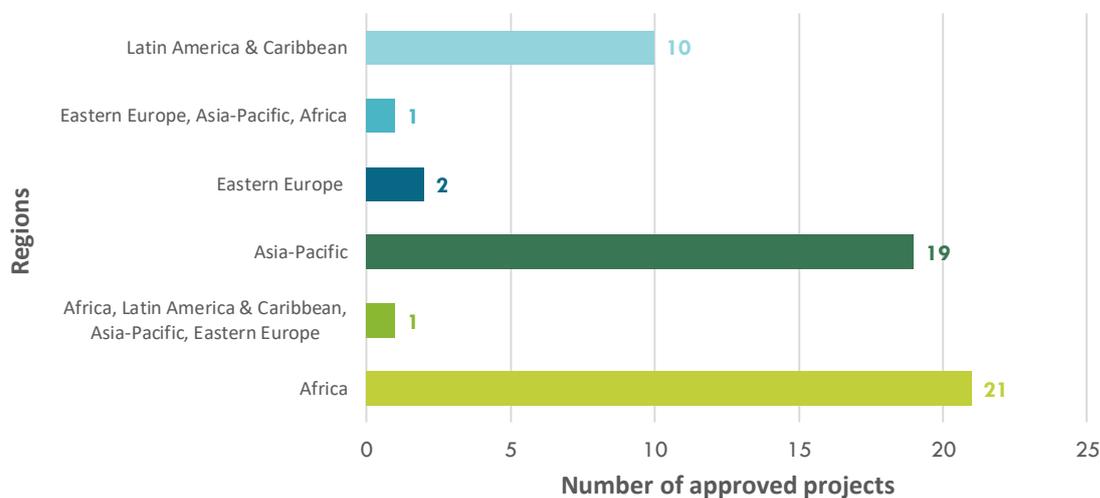
Abbreviations: Acumen = Acumen Fund, Inc., ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AFD = Agence Française de Développement, CAF = Corporación Andina de Fomento, CI = Conservation International Foundation, CSE = Centre de Suivi Ecologique, DBSA = Development 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

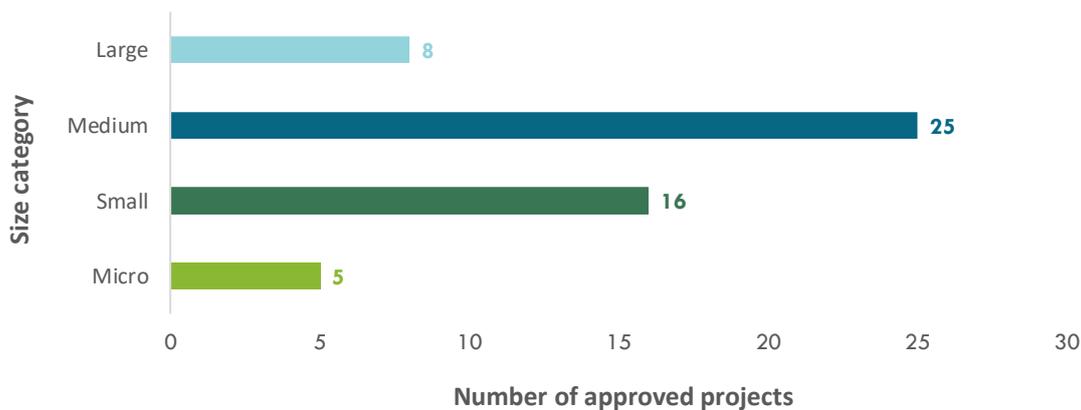
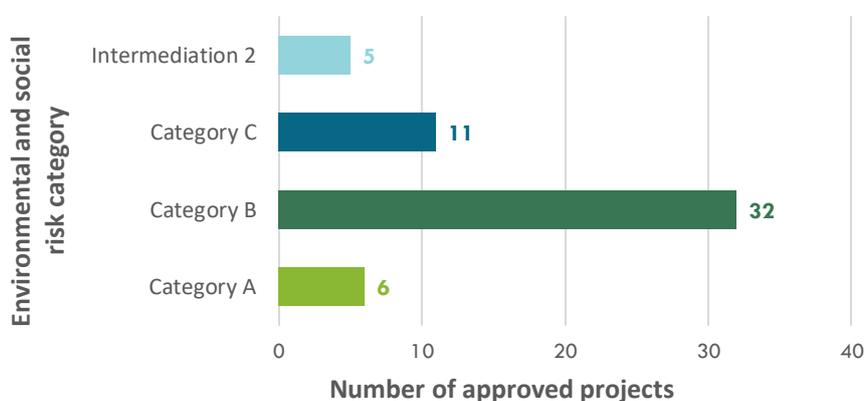


Figure 7: Percentage of approved projects by size category



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

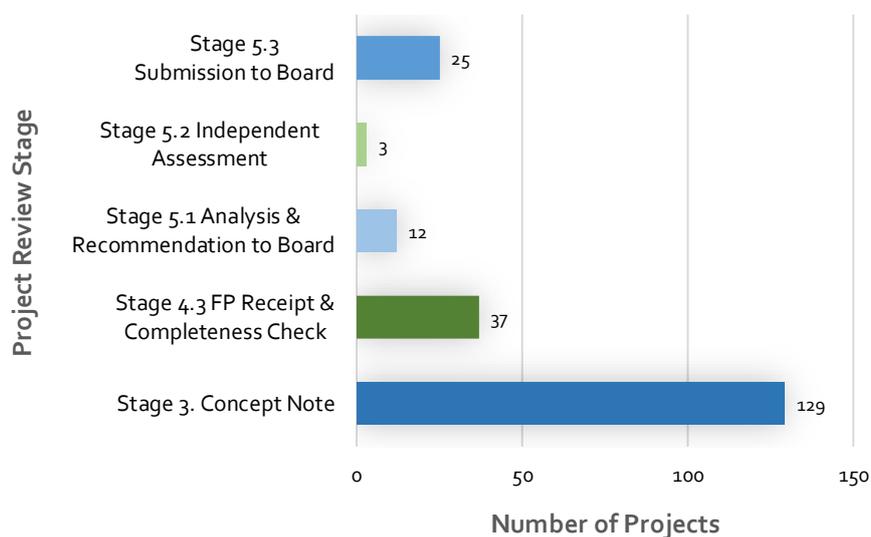
² The Secretariat, in line with decision B.13/10, paragraph (c), reported to the Board on the development of 46 EWP briefs in document GCF/B.19/35/Add.01 (general distribution) titled “Consolidated Country and Entity Work Programmes – Addendum I: Compilation of Country Programmes completed by countries”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

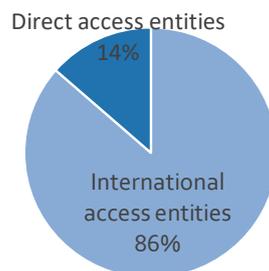
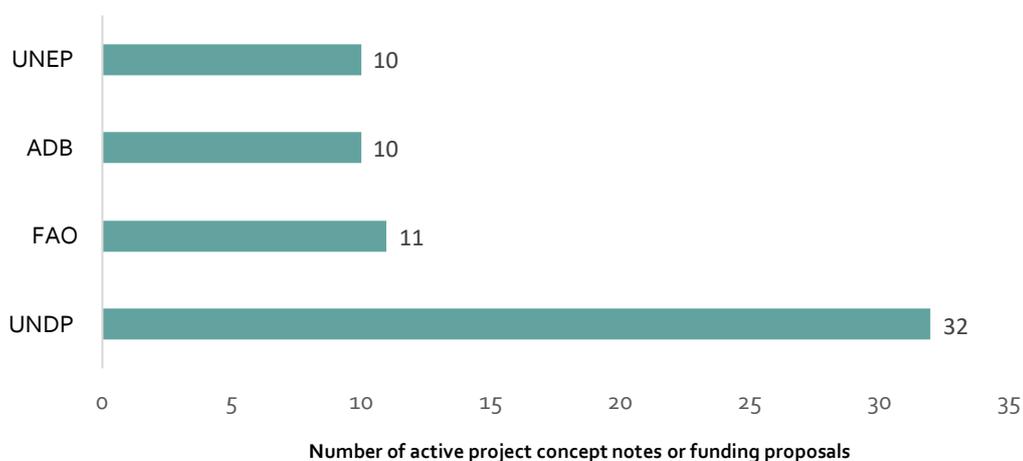


Figure 10: Number of active project concept notes or funding proposals by five top international AEs



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.

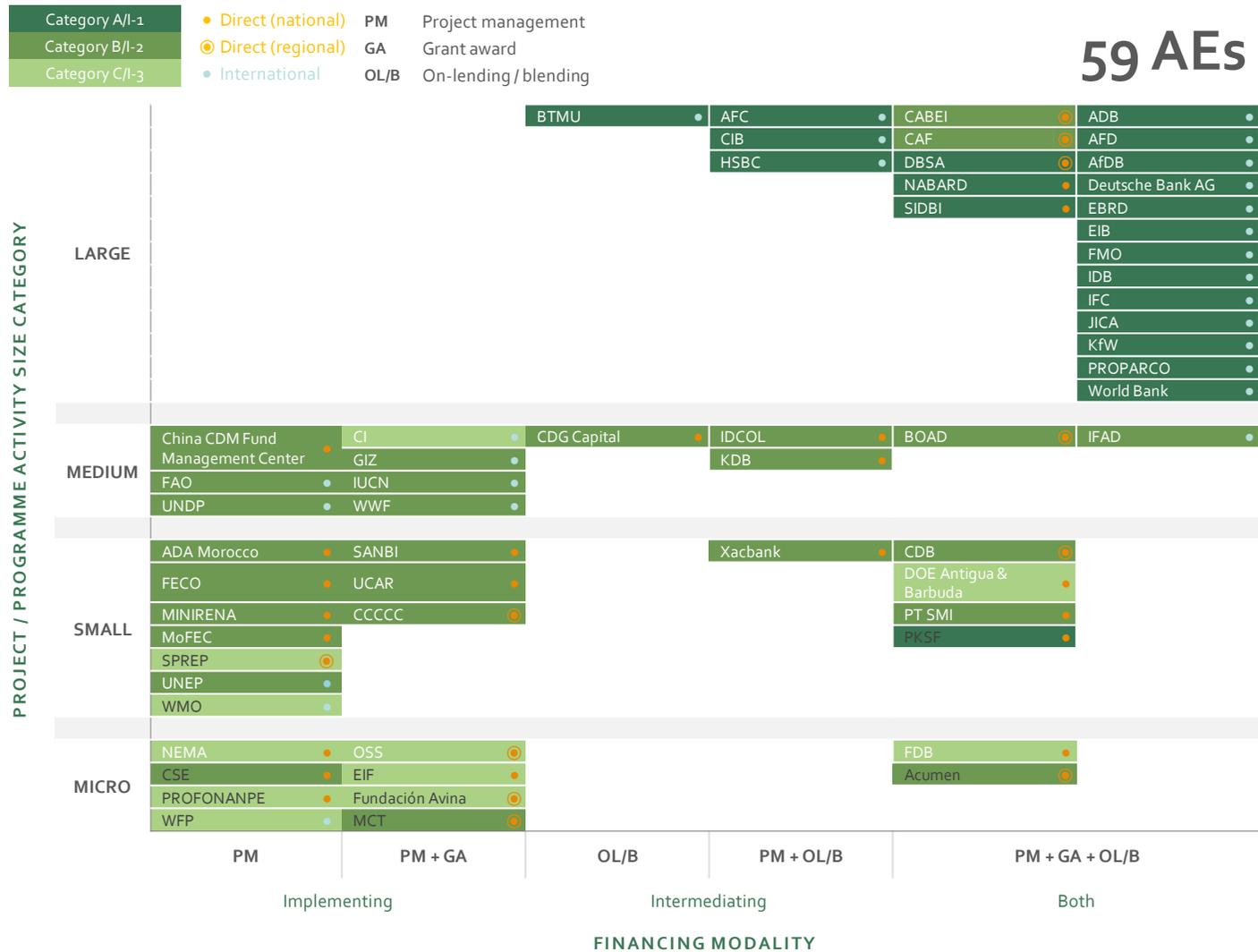
22. The RFP approach also demonstrates that while countries may have the desire to implement interventions within a particular area, they do not necessarily have an AE to work with that aligns with the content area and the necessary accreditation type. An accreditation process coupled with an RFP approach 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

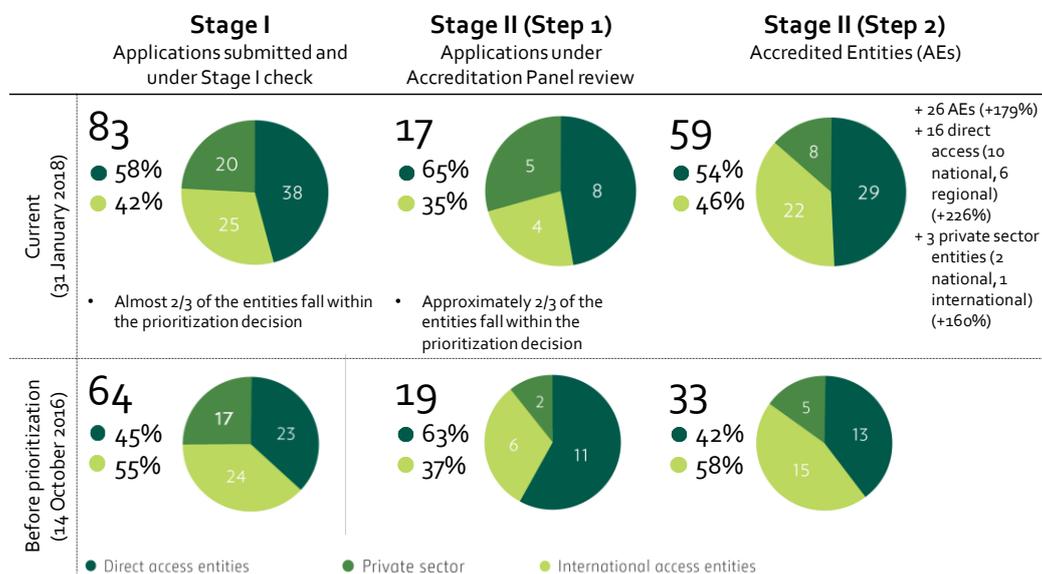
27. In decision B.14/08, paragraph (d), the Board decided that future accreditation decisions by the Board should aim to bring forward AEs that fill the mandate on balance, diversity, coverage and ability to advance the objectives of the GCF. To that end, in paragraph (d)(i) of the same decision, the 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,⁶⁸ 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

⁶⁸ 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

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

- (c) **Build and deliver an evaluation-based learning, advisory and capacity strengthening programme:**⁶ The IEU's evaluation-based learning and capacity building 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.

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

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

Contents

- I. Purpose, status, scope of the policy
 - a. The role that evaluation can play in learning and accountability
 - i. The paradigm shift goal and the role of accountability and learning
 - ii. Balance between accountability and learning
 - b. The mandate of the Fund and the challenge it presents
 - i. Methodological challenges of M&E for climate change
 - ii. Balance between tailored versus standardized approaches and indicators
 - iii. Cross-cutting themes (e.g. gender, poverty reduction, rights-based approaches, good governance)
 - iv. Co-benefits and overlap between climate change and other sustainable development aims
 - c. The theory of change of the IEU
 - i. Learning and filling evidence gaps
 - ii. Accountability
 - iii. Capacity building and advice
 - iv. Producing trusted, independent and credible evidence
 - v. Synthesizing evidence and informing use for effective and efficient decision-making
- II. Evaluation Principles
 - a. Principles of evaluation
 - b. Types of evaluations and their advantages and disadvantages, and appropriate uses
- III. Monitoring and evaluation at the GCF
 - a. Roles and responsibilities: routine monitoring and management of programs; role of the Independent Evaluation Unit versus other departments;
 - b. Use of headline indicators
 - c. IEU support to GCF divisions and Independent Units
 - d. Supporting GCF stakeholders and accredited entities at inception to ensure high quality evaluations
- IV. Ensuring the potential for high quality evaluation at entry:
 - a. Basic requirements overall
 - b. Basic requirements for mitigation programs
 - c. Basic requirements for adaptation programs
 - d. Distinguishing requirements between public and private sector programs
- V. Evaluation criteria, procedures and minimum requirements for different types of learning-oriented evaluations
- VI. IEU/GCF evaluation architecture
 - a. Evaluation related work stream
 - b. Learning, advisory and impact evaluation work stream
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- d. Engagement, communication and uptake work stream
- 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
-