GREEN
CLIMATE
FUND

Report of the twenty-third meeting of the Board, 6 – 8 July 2019

GCF/B.23/24

17 September 2019

Meeting of the Board
6 – 8 July 2019
Songdo, Incheon, Republic of Korea
Agenda item 26

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Agenda item 1: Opening of the meeting

1. The Co-Chairs officially opened the twenty-third meeting of the Board (B.23) at 9:20 a.m. on Saturday, 6 July 2019.

2. The Co-Chairs welcomed new Board and alternate members:

(a) Mr. Trigg Talley, who replaced Ms. Elizabeth Lien as alternate member;

(b) Ms. Sarah Goulding, who replaced Mr. Chris Tinning as Board member;

(c) Mr. Bo Jul Jeppesen, who replaced Mr. Tobias von Platen-Hallermund as alternate member;

(d) Mr. Yoshitomo Kondo, who replaced Mr. Munenari Nomura as alternate member; and

(e) Ms. Janine Felson, who was to serve as alternate member to the seat of the small island developing States (SIDS) in the third term of Board membership.

3. In addition, they noted that the following Board members[1] were unable to attend the meeting:

(a) Ms. Loren Legarda; and

(b) Ms. Paola Pettinari.

4. The Co-Chairs thanked the outgoing Board and alternate members for their service. In addition, they welcomed the active observers and approximately 250 representatives of accredited observers, accredited entities (AEs), national designated authorities (NDAs) and Party States in the overflow room as well as those following the discussions live; indicating that all those concerned contributed to delivering the mandate of GCF.

5. Furthermore, they thanked the staff of the Secretariat for their support in preparing for the meeting and for their dedication and commitment to advancing the work of GCF.

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

6. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/01/Drf.02 titled "Provisional agenda". In accordance with paragraph 20 of the Rules of Procedure of the Board, the Co-Chairs invited the Board to adopt the provisional agenda (second draft).

7. There being no objections, the Board adopted the agenda as set out below:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of the twenty-second meeting of the Board
4. Board decisions proposed between the twenty-second and twenty-third meetings of the Board
5. Report on the activities of the Secretariat
6. Reports from Board committees, panels and groups
7. Reports from the independent units
8. Report on the activities of the Co-Chairs

[1] Mr. Leonardo Puppetto was also unable to attend the meeting.

(a) Co-Chairs' report, including the updated workplan of the Board for 2019

(b) Co-Chairs consultations: decision-making in the event that all efforts at reaching consensus have been exhausted

(c) Co-Chairs consultations: guidelines on decisions without a Board meeting

9. Eighth GCF report to the Conference of the Parties to the United Nations Framework Convention on Climate Change

10. Performance evaluation of the Heads of the Independent Units

11. Performance review of the GCF

12. Matters related to the first formal replenishment of the GCF

(a) Report from the replenishment process

(b) Period of the first replenishment

(c) Update to the policies for contributions, standard provisions and template contributions agreement for the first replenishment period of the GCF

(d) Strategic programming document outlining scenarios for the GCF replenishment

13. Policy on ethics and conflicts of interest for active observers

14. Updated Gender Policy and Action Plan

15. Updated accreditation framework

16. Review of the initial investment framework

(a) Matters related to developing incremental and full cost methodology and policies on co-financing and concessionality

(b) Policy guidelines on programmatic approach

(c) Mapping of elements related to project and programme eligibility and selection criteria

17. Matters related to GCF support to adaptation

18. Review of the initial modalities for the Private Sector Facility

19. Status of GCF resources and portfolio performance

20. Consideration of funding proposals

21. Consideration of accreditation proposals

22. Risk management framework

(a) Compliance risk policy

23. Integrity policies

(a) Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy

(b) Updated Policy on the Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment

(c) Cost implications of the implementation of the interim Policy on the Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment

24. Dates and venues of upcoming meetings of the Board

25. Other matters

26. Report of the meeting

27. Close of the meeting

8. The Co-Chairs informed the Board that a draft organization of work had also been prepared and highlighted the executive sessions that had been scheduled to discuss the performance evaluation of the Heads of the Independent Units.

9. The agenda item was closed.

Agenda item 3: Adoption of the report of the twenty-second meeting of the Board

10. The Co-Chairs opened the agenda item and drew the attention of the Board to the report of twenty-second meeting of the Board (B.22) as transmitted to the Board on 1 May 2019 in document GCF/B.22/25 titled “Report of the twenty-second meeting of the Board, 25 – 28 February 2019” for a two-week review period. Given that no comments on the report had been received from Board members during the review period, the document had been sent to the Board on 15 May 2019 with a view to adoption at B.23. The Co-Chairs invited the Board to adopt the report.

11. They opened the floor for comments.

12. There being no comments or objections, the Co-Chairs took it that the Board wished to take note of the report.

13. The Board took note of the report of B.22.

Agenda item 4: Board decisions proposed between the twenty-second and twenty-third meetings of the Board

14. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/Inf.06/Rev.01 titled “Board decisions proposed between the twenty-second and twenty-third meetings of the Board”.

15. They informed the Board that three decisions had been circulated to the Board for approval without a Board meeting and had been adopted. In accordance with paragraph 44 of the Rules of Procedure, these decisions would be recorded in the report of B.23. The three decisions were:

(a) “Revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments”;

(b) “Accreditation of observer organizations”; and

(c) “Extension of the terms of the external members of the Private Sector Advisory Group”.

16. They invited the Board to take note of the document.

17. There being no comments or objections, the Board took note of document GCF/B.23/Inf.06/Rev.01 titled "Board decisions proposed between the twenty-second and twenty-third meetings of the Board".

18. No decision was taken under this agenda item.

Agenda item 5: Report on the activities of the Secretariat

19. The Co-Chairs opened the item and introduced three documents:

(a) GCF/B.23/Inf.01 titled "Report on the activities of the Secretariat";

(b) GCF/B.23/Inf.01/Add.01 titled "Status of accreditation master agreements and funded activity agreements", transmitted on a limited distribution basis; and

(c) GCF/B.23/Inf.07 titled "Report on the execution of the 2019 administrative budget of the GCF".

20. The Co-Chairs invited the Executive Director, Mr. Yannick Glemarec, to take the floor to introduce the Secretariat reports.

21. Mr. Glemarec stated that he would highlight the progress made in achieving some of the Secretariat's six overarching goals. He stressed that most of the activities and achievements during the reporting period had occurred under the leadership of Mr. Javier Manzanares, acting as the Executive Director ad interim.

(a) In terms of **supporting the Board**, the focus of the Secretariat's work had been the replenishment process. Logistical support had been provided for the first consultation meeting in Oslo, Norway, and the strategic programming document had been prepared. In addition, there had been a major outreach exercise to publicize the achievements of GCF during its initial resource mobilization (IRM) period. The Secretariat had engaged in strategic discussions with a number of governments and all United Nations negotiating groups. There had also been a dramatic increase in, largely positive, media coverage and several high-level statements in support of a successful replenishment process. The Secretariat was actively involved in preparations for the United Nations Climate Action Summit 2019, to be held in New York, the United States of America in September, and where an ambitious GCF replenishment was one of the two key expected outcomes of the climate finance track. Numerous GCF-supported activities were to be showcased at the event. The Executive Director underscored that all of these activities had greatly benefited from the support of the Board, as well as AEs and civil society organizations (CSOs);

(b) To **strengthen country ownership**, the Secretariat had translated a number of key GCF documents into French and Spanish. With the support of the Board, the aim was to ensure that most templates used to access GCF support were available in both these languages;

(c) With a view to **strengthening efforts to assess and articulate climate impact**, the Secretariat had developed a theory of change and incorporated this into the revised strategic programming document. With it, GCF would provide a clear vision to its partners of the kinds of activities it believed could bring about transformative change. The Secretariat was creating a manual on the preparation of funding proposals, which would also be translated into French and Spanish; and

(d) On **accelerating implementation**, the Executive Director underlined that 58 funded activity agreements (FAAs) were expected to be signed by the end of B.23.[2] GCF was in a

[2] This figure was later achieved following the approval of funding proposal 108 at the meeting.

good position to achieve the target of 76 signed FAAs by the end of 2019. By that time, up to 100 per cent of GCF resources could be allocated and 70 per cent of these resources could be under implementation, subject to the signing of legal arrangements for projects. This represented a considerable achievement over the four-year IRM period. Given this acceleration in activities, the Secretariat needed to achieve efficiency gains. With this in mind, the project cycle had been mapped in detail, and gaps and duplications identified. The roles and division of responsibilities between the Division of Country Programming, the Division of Mitigation and Adaptation and the Private Sector Facility (PSF) in the provision of support by the Secretariat to countries and AEs in project origination and structuring had been clarified. In addition, capacities in the Office of Risk Management and Compliance and the Office of Portfolio Management had been enhanced to strengthen project appraisal and Secretariat support for implementation.

22. The Co-Chairs thanked the Executive Director for the presentation and for his focus on achieving high-quality projects and implementation as soon as possible.

23. They invited the Board to take note of the report of the Secretariat as presented orally and in documents GCF/B.23/Inf.01 and its addendum and in document GCF/B.23/Inf.07. They opened the floor for comments.

24. Several Board members commended the Secretariat for its work, especially in the context of the replenishment process.

25. Two Board members requested that GCF documents, and in particular templates, be translated into Arabic in addition to French and Spanish.

26. Recalling the findings of the Forward-Looking Performance Review (FPR) of the Independent Evaluation Unit (IEU), a Board member highlighted the need for the Secretariat to accelerate and rationalize its work. In this regard, they called for increased clarity on access to GCF resources and on its operating modalities. They welcomed the work already undertaken to review second-level due diligence and urged that its findings be implemented swiftly. The Board member expressed their appreciation for the outreach activities on the replenishment process. However, underscoring their considerable concern regarding the low levels of disbursement of resources identified by the FPR, they called on the Secretariat to learn from its experiences with the existing portfolio in order to speed up implementation. They encouraged the Secretariat to continue its work on the Strategic Plan, integrating a clear theory of change and focused results areas. Finally, they thanked the Secretariat for the successful country mission to Armenia. This had been mutually beneficial for entities on the ground and GCF staff, as it provided an opportunity to witness the realities of a developing country facing climate change in real time.

27. Underlining their support for strong GCF engagement with other climate finance institutions, another Board member urged the Secretariat to seek opportunities to finance countries' climate investment fund proposals and facilitate exchange regarding GCF country plans and the investment plans of the Climate Investment Funds. The Board member also asked how the findings of the Office of the Internal Auditor would be incorporated into the revisions of the procurement guidelines, noting that this had not been outlined in the report.

28. A Board member welcomed the progress made in increasing the number of accredited direct access entities (DAEs) but expressed their wish to see this number rise further in the coming months. This was a key modality for the least developed countries (LDCs), SIDS and African States. They also called for an accelerated disbursement of resources from the Readiness and Preparatory Support Programme (Readiness Programme) to developing countries.

29. Noting with concern that some GCF staff members were unable or fearful of travelling to certain countries owing to sanctions and restrictions, a Board member called for issues

regarding privileges and immunities for GCF staff to be resolved as soon as possible. The current situation meant that some countries were hindered in their engagements with GCF on the ground.

30. Another Board member drew attention to paragraphs 63 to 65 of document GCF/B.23/Inf.01, which were about embedding climate rationale across all GCF projects and programmes. They underlined that national adaptation plans should be the basis of GCF-funded activities on adaptation. The Board member also asked for further information on the role the World Meteorological Organization in this area, as mentioned in paragraph 65 of document GCF/B.23/Inf.01.

31. The active observer for CSOs expressed a concern regarding the disclosure of environmental and social safeguards (ESS) documents of multilateral development banks (MDBs). Such disclosure was in compliance with a recommendation of the Information Appeals Panel, which had been approved by the Ethics and Audit Committee. The active observer did not believe that the MDBs were exempt from this disclosure under existing accreditation master agreements (AMAs), while paragraph 45 of the report of the Secretariat noted that there were exemptions under AMAs that allowed MDBs to use their own disclosure policies for ESS.

32. The Co-Chairs invited the Executive Director to respond to the comments and questions.

33. The Executive Director said that the Secretariat would look into translating key documents into Arabic.

34. He explained that the review of second-level due diligence had informed the project cycle mapping exercise and led to the strengthening of the Office of Risk Management and Compliance's independent appraisal capacities. The mapping exercise had identified 81 separate tasks in the project cycle. The operations manual under development would clarify the roles and responsibilities of the various teams that participated in the intake, assessment and review of funding proposals.

35. Regarding collaboration with other climate finance institutions, the Executive Director highlighted that he had already had conversations with the Global Environment Facility, the Adaptation Fund and the Climate Investment Funds. He hoped that a meeting of the heads of the different funds could be arranged on the sidelines of the twenty-fifth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 25) in Chile to further discuss joint actions, and he believed it would be possible to identify win-win options very quickly.

36. The Executive Director reported with regard to direct access that on 28 June he had signed a partnership statement with the International Development Finance Club, a network of leading national development banks. One aim of this partnership would be to strengthen direct access. He had also engaged with 12 DAEs on how to strengthen work in this area.

37. On implementing the Information Disclosure Policy of the GCF, the Executive Director noted there were conflicting clauses under different agreements with MDBs and that the Secretariat was looking into options for resolving the matter.

38. Attaining privileges and immunities was an important political means of facilitating staff travel. The Office of the General Counsel was working on specific remedial measures in this regard, and the Secretariat had embarked on a major outreach exercise with ambassadors in Seoul, Republic of Korea.

39. GCF was working with the World Meteorological Organization to enhance developing country access to climate information services. This was an essential component in the development of climate infrastructure and strategies.

40. Another representative of the Secretariat responded to the question regarding the procurement guidelines. The Office of the Internal Auditor followed up on all the audits it

conducted by tracking the implementation of a management action plan and reporting on the status of implementation to the Executive Director and the Senior Management Team.

41. The Co-Chairs concluded the discussion, noting that the precise definition of climate rationale remained open. They also called on the representative of the Secretariat to provide any necessary further clarification regarding the question on the internal audit to the interested Board member on the margins of the meeting.

42. The Board took note of document GCF/B.23/Inf.01 titled "Report on the activities of the Secretariat" and its limited distribution addendum Add.01 titled "Status of accreditation master agreements and funded activity agreements", document GCF/B.23/Inf.07 titled "Report on the execution of the 2019 administrative budget of the GCF" and document GCF/B.23/07 titled "Audited financial statements of the Green Climate Fund for the year ended 31 December 2018".

43. The Board adopted the following decision:

DECISION B.23/01

The Board, having considered document GCF/B.23/07 titled "Audited financial statements of the Green Climate Fund for the year ended 31 December 2018":

> *Approves the audited financial statements of the Green Climate Fund for the year ended 31 December 2018 as contained in annex I.*

Agenda item 6: Reports from Board committees, panels and groups

44. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/Inf.08 titled "Reports from committees, panels and group of the Board of the Green Climate Fund" and its addendum, Add.01, titled "Reports from committees, panels and group of the Board of the Green Climate Fund – Addendum".

45. As a time-saving measure, the Co-Chairs stated that they would refer the Board to the published reports of the committees, panels and groups.

46. They opened the floor for comments from the chairs of the committees, panels and groups.

47. There being no comments, the Co-Chairs invited the Board to take note of the reports.

48. The Board took note of document GCF/B.23/Inf.08 titled "Reports from committees, panels and group of the Board of the Green Climate Fund" and its addendum.

49. No decision was taken under this agenda item.

50. Under a subsequent agenda item, a Board member noted that the report from the Risk Management Committee had not been presented as it had not yet been finalized.[3]

51. Similarly, under a later agenda item, another Board member proposed that in future the Board should receive a very short presentation from the committees, panels and groups.

52. Noting that their preference was to reserve discussion for executive items, the Co-Chairs said that this matter would be kept under consideration.

[3] After the Board's consideration of the agenda item, the report from the Risk Management Committee was finalized and published in document GCF/B.23/Inf.08/Add.02 titled "Reports from committees, panels and groups of the Board of the Green Climate Fund – Addendum II".

Agenda item 7: Reports from the independent units

53. The Co-Chairs opened the agenda item and introduced four documents:

(a) GCF/B.23/Inf.03 titled "Report on the activities of the Independent Redress Mechanism";

(b) GCF/B.23/Inf. 04 titled "Report on the activities of the Independent Evaluation Unit";

(c) GCF/B.23/Inf.11 titled "Report on the activities of the Independent Integrity Unit"; and

(d) GCF/B.23/Inf.02 titled "Report on the activities of the Information Appeals Panel".

54. As a time-saving measure, the Co-Chairs referred the Board to the published reports and proposed not to take any oral reports. They therefore invited the Board to take note of the information provided in the documents.

55. They opened the floor for comments.

56. There being no comments or objections, the Board took note of document GCF/B.23/Inf.02 titled "Report on the activities of the Information Appeals Panel", document GCF/B.23/Inf.03 titled "Report on the activities of the Independent Redress Mechanism", document GCF/B.22/Inf.04 titled "Report on the activities of the Independent Evaluation Unit" and document GCF/B.23/Inf.11 titled "Report on the activities of the Independent Integrity Unit".

57. No decision was taken under this agenda item.

58. Under a subsequent agenda item, a Board member proposed that in future the Board should receive a very short presentation on these reports.

59. Noting that their preference was to reserve discussion for executive items, the Co-Chairs said that this matter would be kept under consideration.

Agenda item 8: Report on the activities of the Co-Chairs

(a) Co-Chairs' report, including the updated workplan of the Board for 2019

60. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.23/21 titled "Report on the activities of the Co-Chairs". They subsequently introduced documents GCF/B.23/21/Add.01/Rev.01 titled "Report on the activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019" and GCF/B.23/21/Add.02 titled "Report on the activities of the Co-Chairs – Addendum II: Approach to developing the environmental and social safeguards of GCF".

61. The Co-Chairs proceeded to brief the Board on efforts made prior to B.23 and highlighted a number of matters they wished to bring to the Board's attention.

62. Regarding pre-meeting consultations, these had taken place on decision items on the B.23 agenda at various levels, including those with Board members, Board committees, active observers, AEs and other stakeholders. They noted that this had taken a considerable amount of time. As Co-Chairs, they wished to thank everyone for their cooperation in these endeavours, and the Secretariat for its tireless support. They expressed the hope that these consultations would expedite decision-making at the meeting.

63. In terms of specific matters for further Board consideration, these were as follows:

Introduction of new procedures for clearing documents

64. The Co-Chairs had decided to institute new procedures for clearing documents for transmittal to the Board. These procedures applied to:

(a) Policy documents that the Board-mandated to committees, panels and groups; and

(b) Board documents mandated to either the Secretariat or committees, panels and groups that had budgetary requests.

65. In the case of policy documents that the Board mandated to committees, panels and groups, the Co-Chairs would only transmit a document to the Board if it had a covering note from the respective chair of the committee, panel or group confirming the endorsement of the document by the committee, panel or group, including the date of this endorsement. Should a committee, panel or group be unable to respond to a mandate given to it by the Board within the expected time frame, the Co-Chairs would request the chair of the committee, panel or group to explain the reason for this in writing and might consider alternative ways to advance the issue.

66. In the case of Board documents that had budgetary requests, the Co-Chairs would only transmit documents to the Board where the budgetary request had been endorsed by the Budget Committee and this endorsement had been conveyed to the Co-Chairs in writing. When assessing such budgetary requests, the Budget Committee would take into explicit account the recommendations by and reasoning of the Secretariat, independent unit and/or committee, panel or group for the proposed budget. Should the amount endorsed by the Budget Committee differ from the original budget proposed, the Chair of the Budget Committee would convey the reasons for this to the Co-Chairs. The work taking place intersessionally always had some budget implication, so this would enable the Board as a whole to be kept informed on a rolling basis.

67. The Co-Chairs were in discussions with the Chair of the Budget Committee on how to address policy documents that had budgetary implications but no specific budgetary request at the time of consideration; they intended to provide further guidance on this matter at a later date. The Co-Chairs were also in discussions with the Secretariat and independent units on appropriate processes for independent unit policy proposals that were intended to be applied across GCF. This meant that where the independent units were pursuing matters that had implications for others, that these implications were properly understood, agreed upon and integrated without referring back to the Board on each occasion to ensure clarity. They aimed to provide further guidance on this matter at a later date.

68. In addition, the Co-Chairs requested that policy proposals put to the Board that were relevant to AEs include a section of the covering document setting out any implications for the legal arrangements between GCF and the AEs.

69. These arrangements were of a housekeeping nature and designed to put the business of the Board on a proper procedural footing.

Co-Chairs' proposal for the Board workplan going forward

70. The Co-Chairs referred the Board to document GCF/B.23/21/Add.01/Rev.01 titled "Report on the activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019". They noted that the conclusion of the GCF IRM period and the process of preparing for the first replenishment of GCF (GCF-1) provided an important opportunity to review and refresh the Board's workplan for 2020 and beyond. An observation by many Board members was that the Board should move from annual or semi-annual planning to multi-year planning. This would enable the Board to work out what policy and other matters needed to be completed well in advance. Furthermore, it would enable the papers to be prepared and consultations extended, and, as a consequence, Board members would be able to plan their work better. There

would be fewer documents, but they would be of consistently better quality and consultations would be over a longer period of time. However, all Board members would need to commit to multi-year planning for it to work effectively.

71. Through the development of an updated Strategic Plan, the Board had the opportunity to move away from an annual, meeting-by-meeting approach to its workplan and shift towards a multi-year strategic policy agenda for the replenishment period (e.g. for four years from 2020–2023, subject to a final decision on the replenishment period).

72. The Co-Chairs had been working with the Secretariat and the Executive Director, who, they noted, had brought these fresh ideas, which were very welcome, but they recognized there needed to be further consultations with Board and alternate members on the development of a multi-year strategic policy agenda for GCF-1. This would include consideration of how items remaining on the Board's workplan after 2019 might be consolidated into the updated Strategic Plan for 2020 onwards.

Further development of the environmental and social safeguards

73. The Co-Chairs informed the Board that addendum II to the Co-Chairs' report presented the proposed approach to developing the ESS of GCF mandated at the nineteenth meeting of the Board (B.19) (document GCF/B.23/21/Add.02 titled "Report on the activities of the Co-Chairs – Addendum II: Approach to developing the environmental and social safeguards of GCF").

Draft decision for agenda sub-item 8(a)

74. The Co-Chairs then outlined the draft decision in annex 1 to addendum I ("Report on the activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019") that, among others:

(a) Takes note of the Board workplan as updated;

(b) Outlines a number of procedural decisions to formally defer consideration of some items;

(c) Requests the Secretariat to proceed with the development of the GCF ESS; and

(d) Approves the related budget.

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

Part 1

76. In the first round of comments there was considerable discussion on the proposals regarding new procedures for clearing documents, particularly in relation to the budget review element as well as the functioning of committees, which fed into a discussion on the broader review of committees to be considered at the twenty-fourth meeting of the Board (B.24). A number of other more specific points were also raised both under the new procedures section and under the proposed workplan.

77. Given the need to improve the Board's decision-making process, a Board member proposed a more disciplined approach to the way committees functioned. Two things were required:

(a) If there was any doubt about which committee to approach, committee chairs should be able to submit their query to the Co-Chairs and get a response within 48 hours; and

(b) Committees' meeting schedules tended to be ad hoc; this should be formalized so that each committee had a published schedule of all its meetings (virtual or in person). This would enable those who wished to submit a matter to a committee to do so and avoid missing a meeting and having the issue they wished to have considered delayed. This was supported by another Board member.

78. The Co-Chairs affirmed that the chairs of committees, panels and groups had taken this request on board.

79. Other Board members proposed a further streamlining of committee work by the insertion of a committee day during which to conclude their work on site prior to the start of Board meetings. One reminded Board members of the challenges facing members from countries with poor Internet connectivity, which often made effective virtual meetings impossible. Another expressed support for raising GCF standards to higher levels. The Chair of the Budget Committee confirmed that a schedule could be provided for members. Another Board member noted that in some cases, to resolve an issue, two committees needed to meet together as they were discussing the same issue but separately, which was not efficient.

80. The Co-Chairs affirmed that this point would usefully feed into the B.24 review of committees.

81. Several comments were made regarding the proposal that the Co-Chairs only transmit those Board documents that have budgetary implications or requests to the Board where the budgetary request has been endorsed by the Budget Committee and this endorsement has been conveyed to the Co-Chairs in writing.

82. There was concern that this amounted to creating a "super committee" that was not appropriate and would also lead to further delays as individual committees exchanged views with the Budget Committee. A Board member asked why an "endorsement" was needed instead of a "consultation". While clarity was important, the proposed process should not lead to more bureaucracy.

83. Another Board member noted that it would be necessary to look at the consequences of this proposal. This process could lead to an increased volume of work for the Budget Committee as everything with a budgetary implication would come before it. This would lead to more late-night committee work at the expense of appropriate rest for members. In this regard, the notion of having a dedicated day before the Board meeting made sense in addition to virtual meetings.

84. The Board member also requested improvements to the membership of committees. It was clear that not all Board members had been allocated to a committee. One Board member had apparently been told there was no "slot" available on a committee. This made no sense since this meant talent within the Board was being underutilized. Furthermore, some members were on two committees. This systemic failure should be corrected immediately and not be delayed until the B.24 review. The Board member also proposed that every Board member should volunteer for a committee.

85. A further Board member asked for clarification as to what the implications were for the existing budgetary process and requests. Currently this was an annual process, but under the proposal this would become continuous.

86. The Co-Chairs invited the Chair of the Budget Committee, Mr. Jose Delgado, to respond to comments. Mr. Delgado said that the intention of the new approach was not to block progress but instead to keep track of matters with budgetary implications. Mr. Delgado reminded the Board that decisions had been taken in the past without full knowledge of the budgetary implications. The aim was not to create a process requiring an exchange of views between the Budget Committee and other committees, and there was certainly no intention to turn the Budget Committee into a "super committee".

87. The Co-Chairs affirmed that there was no intent to change the budget process. This proposal was about consistency and ensuring that proposals from committees were mindful of

budgetary implications and within existing budgetary decisions. It aimed to introduce some greater discipline into the Board's work.

88. Board members raised several other specific points:

(a) The 21-day document rule: a Board member noted that, while positive progress had been made on meeting the 21-day rule for the issuance of documents prior to a Board meeting, there was still room for improvement; this applied to all Board members, including themselves. This was echoed by another Board member;

(b) Multi-year workplan: a Board member welcomed this interesting proposal, which would enable better preparation for decision-making and allow more time for consensus to be built before a Board meeting. However, the member cautioned that the Board would need to take a decision when it was being considered in a Board meeting. If, as was the practice now, decisions were deferred to later meetings, this would result in delays in beginning discussions on workplan items. They noted that this matter related to agenda sub-item 8(c);

(c) Re-accreditation of AEs: a Board member sought clarification on what was proposed on the re-accreditation of AEs as this was not mentioned in the workplan;

(d) Sanctions policy: the same Board member also wished to know why the administrative sanctions policy had been deferred to 2020 when it was due to be completed by B.24;

(e) Currency fluctuations: a Board member requested that, in view of the fact that it was proposed to defer this until 2020, this be considered at the very earliest date in that year. The workplan currently stated "earliest possible" but without specifying a date. Another Board member requested consideration of this as early as possible as this was linked to the GCF-1; and

(f) Risk Management Committee: a Board member noted that the report from the Risk Management Committee had not yet been finalized. The Co-Chairs stated that they were aware of the situation but did not propose to go into this matter during the plenary.

89. A Board member opined that the draft decision was overloaded and, as such, they were not ready to adopt it. Further, time was requested offline for consultations. The Co-Chairs confirmed that they would consult with the member.

90. The Co-Chairs responded to comments from Board members regarding several matters raised, including the 21-day rule, and expressed regret that this deadline had not been fully met in the run up to B.23. They thanked the Chair of the Budget Committee for their intervention, confirming that this was about guidance and consistency, not new mandates. They had proposed that the matter of re-accreditation could be raised under the relevant agenda item, but it would be guided by the Secretariat as to what was entered into the workplan. They also noted that completion of the IEU evaluation policy of the GCF had been deferred as the Co-Chairs were not ready to bring it to this meeting.

91. A Board member reiterated a concern regarding use of the noun "endorsement" in relation to the Budget Committee proposal. They suggested that perhaps the verb "track" might better describe the intended role of the Budget Committee.

92. The Co-Chairs noted that they had been searching for a suitable verb to indicate that the Budget Committee had seen and understood what was proposed and that it was consistent.

93. With this understanding of what was intended by "endorsement" the Board member who had requested an alternative withdrew their request.

94. The active observer for CSOs stressed the importance of moving forward with the review of observer participation in Board proceedings. They welcomed that this was now moving forward again after stalling for close to three years and expressed a readiness to work

with the Secretariat in progressing the review to a constructive conclusion. They looked forward to this matter being considered by the Board at B.24.

95. On the development of GCF ESS, they welcomed the proposed approach. They appreciated that GCF was moving forward on developing these long overdue and critical safeguards. It was positive to see that GCF, as a climate fund, was striving to ensure that it adopted its own ESS that represented best practice. It was doing so building upward from its own experience and the experience of other institutions, which was to be commended. Additionally, they appreciated the positive changes that had been made to the document as well as the deliberative approach to this work by GCF. They welcomed the inclusion of a comprehensive plan for stakeholder engagement and opportunities for CSOs and local communities to be consulted. They looked forward to participating in this process and helping GCF be a leader in this space through developing best practice, human rights-based ESS.

96. A Board member returned to the earlier discussion on the functioning of committees. While recognizing this work was scheduled for B.24, as the Chair of a committee they underlined the importance of seeing how improvements could be made in the interim. Currently, the Secretariat was struggling with quorums and the member thanked them for their efforts.

97. The Co-Chairs thanked the Board member for helping to address this issue as a committee Chair and international negotiator.

98. The agenda sub-item was suspended.

99. It was reopened by the Co-Chairs on the third day of B.23.

Part 2

100. The Co-Chairs noted that a Board member had expressed concerns on an overloaded decision. To that end, they proposed to delete paragraph (c) of the draft decision in document GCF/B.23/21/Add.01/Rev.01, which read: “Requests the Co-Chairs to consult Board and alternate members with a view to present a proposal to the Board at its twenty-fourth meeting regarding the course of action to be taken by the Board in the event of a challenge to a determination made by the Co-Chairs relating to a point of order pursuant to paragraph 12 of the Rules of Procedure”.

101. It was further proposed to delete paragraph (f), which read: “Requests the Secretariat to conduct further consultations with active observers and accredited observer organizations in relation to the comprehensive review of the participation of observers in the activities of the Board, with a view to identifying existing gaps and needed improvements, and to presenting a report with recommendations on the outcomes of the review for consideration by the Board when the matter is considered”.

102. The Board member who had asked that the overloaded decision be slimmed down thanked the Co-Chairs. In light of the fact that the Policy on Ethics and Conflicts of Interest for Active Observers had now been adopted, they proposed that the paragraph relating to the observer guidelines now be reinstated.

103. The Co-Chairs confirmed that they understood the logic behind this further request and hoped it was also clear to other Board members.

104. Another Board member reiterated the urgency of minimizing the effect of currency fluctuations. The chapeau to the new paragraph (c) in the revised decision text said the “earliest possible opportunity”. The Board member requested that a date be inserted, such as the first Board meeting in 2020. The proposal to add a date for consideration was supported by another Board member. The Co-Chairs recapped that there were two proposals: one was to restore the

paragraph relating to observer guidelines; the other was to add a date for presenting the analysis on foreign exchange under paragraph (c).

105. Another Board member asked for clarification of paragraph (g) and how it was different from the ESS approved in 2018. They also wished to know if this work would be undertaken internally or by a consultancy firm.

106. The Co-Chairs invited the Secretariat to respond.

107. On the latter point, a representative of the Secretariat informed the Board that of the USD 400,000 budget, the heavy lifting would be done by the Secretariat while the external consultant would provide support in the analysis of the ESS compared to other institutions and the drafting of the ESS. On the former, the representative explained that the environmental and social policy was the broader framework while the ESS provided specific standards. The approach was to develop GCF ESS standards to replace the International Finance Corporation standards that were currently being used.

108. The Co-Chairs informed the Board that the budget for this work had been approved by the Budget Committee and recapped the amendments to the decision, namely, the deletion of the paragraph relating to a challenge to a determination by the Co-Chairs on a point of order stood. It was suggested that “at its twenty-fifth meeting” be added to paragraph (c). Finally, the objection to the paragraph relating to observer guidelines had been lifted. A Board member sought clarification that the new deadline imposed in paragraph (c) was feasible for the Secretariat.

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

110. There being no further comments or objections, the decision was approved as amended.

111. The Board took note of document GCF/B.23/21 titled “Report on the activities of the Co-Chairs” and its addenda Add.01/Rev.01 titled “Updated workplan of the Board for 2019” and Add.02 titled “Approach to developing the environmental and social safeguards of GCF”.

DECISION B.23/02

The Board, having considered document GCF/B.23/21/Add.01/Rev.01 titled “Report on the activities of the Co-Chairs – Addendum I: Updated workplan of the Board for 2019” and document GCF/B.23/21/Add.02 titled “Report on the activities of the Co-Chairs – Addendum II: Approach to developing the environmental and social safeguards of GCF”:

(a) *<u>Takes note</u> of the updated Board workplan for 2019, as set out in annex II;*

(b) *<u>Decides</u> to defer consideration of the Evaluation Policy of the GCF to its twenty-fourth meeting;*

(c) *<u>Also decides</u> to defer consideration of the following matters and <u>requests</u> the Secretariat, in consultation with the Co-Chairs and the relevant committees, panels and groups of the Board, to progress its work on these matters and present these for consideration by the Board at its twenty-fifth meeting:*

  (i) *Initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of GCF requested pursuant to decision B.21/14, paragraph (j); and*

  (ii) *Review of the effectiveness of the committees, panels and group established by the Board requested pursuant to decision B.20/04, paragraph (b);*

(d) *<u>Further decides</u> to delegate the following matter to the Secretariat with the proviso to bring any recommendations requiring Board attention back to the Board:*

(i) *Reviewed administrative guidelines on procurement requested pursuant to decision B.08/21, decision B.12/39, paragraph (a), and decision B.17/01, paragraph (c);*

(e) *Requests the Secretariat to conduct further consultations with active observers and accredited observer organizations in relation to the comprehensive review of the participation of observers in the activities of the Board, with a view to identifying existing gaps and needed improvements, and to presenting a report with recommendations on the outcomes of the review for consideration by the Board when the matter is considered;*

(f) *Takes note of the proposed approach and options for developing the GCF environmental and social safeguards contained in the annex to document GCF/B.23/21/Add.02;*

(g) *Requests the Secretariat to proceed with the development of the GCF environmental and social safeguards, based on the approach presented in the annex to document GCF/B.23/21/Add.02, section 4.1, titled "GCF interim environmental and social safeguards with revisions and enhancements";*

(h) *Approves a budget of USD 399, 200 for the development of the GCF environmental and social safeguards. This amount will be added to the Secretariat's administrative budget; and*

(i) *Further requests the Secretariat to present the GCF environmental and social safeguards for the Board's consideration at its second meeting in 2021.*

(b) Co-Chairs consultations: decision-making in the event that all efforts at reaching consensus have been exhausted

112. The Co-Chairs opened the agenda sub-item and reminded the Board that the matter had been discussed in an informal executive session on the first day of the Board meeting. Based on those discussions, they had revised the draft decision and its annex contained in document GCF.B.23/09 titled "Co-Chairs consultations: decision-making in the event that all efforts at reaching consensus have been exhausted". This updated version had now been circulated.

113. The Co-Chairs explained that they had reformulated passages where they believed the Board was close to agreement. The sections on the scope of the procedures and the voting procedure itself required further input from the Board and had not been changed. The Co-Chairs had edited the draft decision to make it more concise and had moved certain elements, such as paragraph (h), from the decision text to the procedure described in the annex on the basis that this would integrate them more thoroughly into the process. They had also added a new paragraph to section III on "Determination" to reflect the desire of Board members to balance the role of the Co-Chairs and the Board in identifying situations in which the Board could not reach consensus. The Co-Chairs invited the Board to comment on the revised text.

114. The discussion included a range of views both on the content of the procedures and the process of reaching a decision. While several Board members noted the constructive mood of deliberations and the sense of momentum in reaching agreement, others underscored that their willingness to engage on the issue already represented a concession on their part. Several Board members thanked the Co-Chairs and the small group of Board members who had consulted on the matter between meetings. Two Board members noted that the informal executive session had been beneficial. One Board member highlighted that there was no perfect solution and that different decision-making procedures had different merits. Most Board members felt that the document required further revisions before it could be adopted. Several expressed the desire to see the decision approved at B.23 and were prepared work later than scheduled to achieve this.

Differing views on the need for a procedure

115. Various Board members made points highlighting the need for a voting mechanism: the Governing Instrument for the GCF mandated the Board to develop such a procedure; the delivery of this mandate was long overdue; improved decision-making processes would facilitate the resolution of policy gaps; and effective governance would help GCF reach its full potential, increase predictability and ensure that funding continued to flow to developing countries. One Board member noted that the small group of Board members had agreed that the current situation, in which one member could block the progress of a decision, was not desirable. Another Board member noted with concern the negative press coverage regarding governance at GCF and highlighted the considerable pressure exerted by senior government officials to resolve governance issues. They further stressed that the FPR had underscored the importance of addressing policy gaps in the successful implementation of the GCF business model. However, the Board member said that the voting mechanism was just one step in addressing the governance challenges of GCF and could be built on in the future, for instance, through Board self-assessments.

116. Several Board members said that there was insufficient evidence to suggest that the item was the most important governance issue at GCF, although they supported efforts to reach a decision on the matter in accordance with the mandate. One of these Board members did not agree that the Board should focus on this item or work later than scheduled to address it based on the priorities of some Board members. They stated that the introduction of an option to invoke a voting procedure represented a major departure from established practice and from the position supported by their constituency. Nevertheless, they had reluctantly but constructively moved forward on the issue and engaged in consultations in the months leading up to B.23 to accommodate the concerns of other Board members. They had done this on the basis of the mandate provided by the Governing Instrument and not as a result of claims made in the media. They called for the shift to a new procedure to be reasonable and gradual to provide reassurance to individual constituencies that nothing detrimental to their interests could be forced upon them.

Reviewing the procedure

117. Several Board members expressed their regret that the Co-Chairs had removed paragraph (m) of the draft decision text, which had proposed that the Board review the procedures after three years. They offered various arguments in support of the proposal: GCF was a learning institution; by adopting the procedure the Board was undertaking a step that it had been debating since 2011; and, despite their best efforts, Board members could not be certain that the procedure would be optimal. One of these Board members requested that the paragraph be reinserted but said that they were flexible as to the precise timing of the review.

Exhausting efforts to reach consensus

118. The importance of maintaining consensus-seeking as the primary mode of decision-making was underlined by a number of Board members. Several said that they hoped that it would, in practice, remain the only option for arriving at decisions. Other Board members underlined that the existence of a voting procedure would incentivize consensus-building; one of these said that Board members would be encouraged to explain their positions in order to avoid a vote on a decision. This would, in turn, facilitate understanding and the possibility of reaching agreement. Under the current system, a Board member opposing a decision was not required to explain their position.

119. In the new section of the annex concerned with exhausting efforts to reach consensus, a Board member requested that the term “inclusive” be added to the list of adjectives describing

the manner in which draft decisions were developed. Regarding the option to request a small group to undertake consultations on specific matters between meetings, the Board member said that the composition of this group should be balanced in terms of the representation of different constituencies and genders. They requested that the word “all” be inserted before “Board members” in the paragraph addressing consultation during a Board meeting. These three proposals were supported by two further Board members.

120. Regarding the suggestion that Board members could disassociate themselves from a decision rather than blocking consensus, a Board member noted that while the approach might work for funding approvals, it was not practicable in the case of policy decisions: a Board member would still be affected by the consequences of a policy even if they had distanced themselves from it.

Determination

121. A number of Board members said that the Board should play a decisive role in determining whether all efforts at reaching consensus had been exhausted. A Board member said that this was in line with the principle of equal participation of Board members in decision-making as stipulated in the Governing Instrument. Two Board members said that they supported the revisions to the section on determination in this regard.

122. One Board member expressed significant concerns on giving the Co-Chairs the sole authority to make this determination and called for an objective checklist of steps to be used; they had submitted a proposed checklist to the Co-Chairs. Two of the steps on determination currently proposed were entirely subjective, namely whether consultations on the relevant matter had occurred during and/or between meetings and whether a decision was urgent or necessary to safeguard the interests or reputation of GCF. Another Board member voiced support for the use of determination criteria that were objective, transparent and measurable so that Board members and the Co-Chairs could hold each other to account. In this regard, they also expressed concerns in relation to the subjectivity of the subparagraph on the urgency and necessity of the item. A further Board member suggested that the Co-Chairs separate out that subparagraph from the other three steps and precede it with the phrase “shall take into account”.

123. While they recognized the desire to use quantifiable criteria, a Board member said that this might not be possible, and the Board should rely on the common sense of the Co-Chairs. They supported the inclusion of the subparagraph on urgency and necessity, but if it were not included it should at least be an informal consideration.

124. Several Board members welcomed the addition of the final paragraph in the section, which enabled Board members to object to the ruling of the Co-Chairs on determination and to have it put to a vote. However, a number of Board members pointed to a lack of clarity on what majority threshold would be employed in that vote. They asked if the Board would apply a two-thirds majority, as currently proposed for the voting procedure on the adoption of decisions. One Board member expressed the wish to adopt a lower threshold. Another asked if a simple majority would be used in line with standard practice at other organizations. A further Board member said that any Board member should be able to call for a Board determination of whether efforts at reaching consensus had been exhausted. One Board member supported the current formulation, noting it ultimately placed the authority on determination with the Board while allowing the Co-Chairs to identify when such a situation had arisen.

Scope of the procedure

125. There were several requests for additions to this section, which had not been adapted by the Co-Chairs from the version presented in document GCF.B.23/09. Several Board members

asked that a new paragraph be introduced to ensure that the procedures would not apply to policy decisions that excluded certain developing countries from accessing different financial instruments and levels of concessionality. One of these Board members said that a reference to provisions in the Governing Instrument relating to eligibility was not sufficient on the basis that it left room for interpretation among current and future Board members. Two Board members stressed that such interpretations had been made at other climate finance organizations. Several Board members underlined that the inclusion of such a paragraph was in line with a request of the COP to ensure that all developing country Parties had access to all financial instruments as per decision 9/CP.23, paragraph 7. One Board member suggested that a reference to COP guidance be placed in a preamble to the text to highlight the pre-eminence of the issue of eligibility to financial instruments. Another Board member suggested that the paragraph state that the Board should decide on matters regarding eligibility through consensus decision-making. One Board member provided assurance that they would not support any future policy decision that would bar access to any financial instrument for a country or group of countries.

126. More generally, several Board members said that the scope of application should exclude decisions that conflicted with the mandate of GCF under the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and the Governing Instrument. Two Board members said that the scope should include both policy decisions and funding proposals.

Voting procedure

127. A Board member highlighted that the first paragraph of the section on the voting procedure should be revised to reflect the new provision regarding an objection to the determination of the Co-Chairs. Regarding the threshold of votes needed for a decision to be adopted, they added that the proposal to include a threshold based on constituencies required further consideration given that there was a lack of clarity on the definition of the term "constituency".

128. Another Board member expressed their disappointment that the Co-Chairs had included in the revised draft a specific option for the threshold given that this aspect was still under discussion by the Board. It was essential that under any new approach it should be possible for a regional group or constituency, particularly one comprising just three seats, to prevent policy decisions from being adopted. Another Board member also emphasized the importance of protecting the rights of individual constituencies in Board decision-making based on their understanding of the Governing Instrument and the UNFCCC.

129. The Co-Chairs expressed their regret that the threshold had been specified in the revised document even though there was a still a divergence of views on the matter. This had been left unamended from previous versions and was not intended as an attempt to direct the discussion.

130. A further Board member said that the threshold proposed was too low given the fact that GCF was still a young organization with a relatively incomplete policy framework. A higher threshold would also meet some of the concerns expressed by other Board members.

131. Several Board members expressed support for the current proposal of a two-thirds majority threshold for both the whole Board and the constituencies. One of these Board members noted that a threshold that was too high would create the need for a further procedure for dealing with situations in which that threshold had not been reached. They stressed that the current proposal would set the highest bar for a voting procedure of any comparable international organization; while the UNFCCC bodies that had such a mechanism used a higher threshold, this applied to the whole Board and was, therefore, in effect, a lower bar overall. A number of Board members said that while they were in favour of the proposed

threshold, they would have preferred just one threshold for the whole Board. One noted that the additional use of a separate threshold overemphasized a division between the constituencies.

132. One Board member proposed a threshold of 19 Board members. This would ensure that a majority in both the developing country constituency and the developed country constituency would be needed for a decision to be passed.

Further points and continued discussion

133. Regarding the final paragraph of the procedure, a Board member said that they found it contradictory to put the outcome of the ballot to the Board for confirmation by consensus.

134. The Board member, who had said that the current text already represented a significant departure from their constituency's position, underlined that they did not accept the procedures as presented. They were concerned by the potential for overreach in some of the proposals made by the Board. Placing conditions on support for climate action in developing countries would impact the fragile climate finance architecture beyond the bounds of GCF.

135. Underlining that the document had gone through several iterations, another Board member urged the Board to show flexibility and to adopt the decision on the basis that it would not be possible to satisfy the preferences of all Board members. They said that the concerns of Board members regarding the need to ensure developing country access to GCF funds should be addressed, but they underscored that the very absence of a voting mechanism had contributed to the rejection of a project in China at the twenty-first meeting of the Board (B.21).

136. A further Board member said that while they wished to resolve the issue, they were unwilling to extend the session in order to reach consensus, noting that Board members would need to consult with national governments on the matter. They questioned the centrality of the issue to GCF governance, underlining that the challenges in addressing policy issues had stemmed from the decision not to establish GCF as a United Nations organization. As a result, GCF staff did not, for instance, automatically benefit from privileges and immunities under the United Nations system. The Board member also highlighted the delay in adopting the Policy on Ethics and Conflicts of Interest for Active Observers as well as the fact that former Board members had taken on positions in organizations engaged with GCF. In addition, GCF was different from other international organizations in that Board members had equal influence over decision-making. It was therefore likely that the Board would invoke the voting mechanism more frequently than in those organizations. Furthermore, when decisions were adopted by vote, Board members would be less accountable to their constituencies. Regarding the project in China at B.21, the Board member said that the developing country constituency had not made an adequate defence of the proposal.

137. Highlighting that the Board should consider the decision thoroughly given that it would be permanent, the Board member said that they would not approve the procedures as presented because they still contained a number of shortcomings. They said that there was a lack of clarity around the arrangements for complaints through the Independent Redress Mechanism regarding decisions taken by ballot. While they expressed their support for a voting threshold of three-quarters, they noted with concern that decisions were frequently made on the afternoon of the final days of Board meetings when some Board members, often those from developing countries, had to leave the meeting to catch flights.

138. An active observer for the private sector organizations (PSOs) underlined the importance of the decision for the business community. Timely, clear and consistent decision-making was essential for GCF in its interactions with current and future private sector partners. Noting the media coverage over the preceding 12 months, the observer highlighted that businesses that were not involved in United Nations processes found the GCF governance challenges difficult to understand.

139. After a short break to consult, the Co-Chairs explained that they would revise the document based on the input provided by the Board and distribute the updated document to Board members the next morning.

140. A Board member reported that during the short break in proceedings a number of Board members from both constituencies had discussed and expressed support for a voting threshold of 19. The Board member also proposed amendments to the section on scope to exclude decisions that would involve changes to the Governing Instrument as well as decisions that limited the access of developing countries to the full range of financial instruments and levels of concessionality.

141. The Co-Chairs thanked the Board member and suspended the agenda sub-item.

142. They re-opened the agenda sub-item on the final day of the meeting. Noting that an updated document had been circulated, they explained that they would introduce the revisions before suspending the sub-item in order to give Board members an opportunity to reflect on the changes. Changes included a new first paragraph in the scope section, which read: "Any policy decision which affects the eligibility of developing countries to receive resources from the GCF or prevents the access of all developing countries to any financial instruments offered by the Fund."

143. Regarding the threshold, a Board member requested clarification on whether four-fifths would be taken to mean 19 or 20 Board members.

144. The Co-Chairs said that the General Counsel could be called upon to provide an answer.

145. The agenda sub-item was suspended.

146. The Co-Chairs re-opened the agenda sub-item later in the evening. They invited the Board to adopt the draft decision as amended.

147. Noting that it was the evening of the final day of the meeting and that they required more time to consult with other Board members on the document, a Board member asked for clarification on the urgency of adopting a decision at B.23.

148. The Co-Chairs said that it was their aim to facilitate decisions on all agenda items at the meeting.

149. The Board member said that it was not standard practice for the Board to conclude all agenda items but to defer them if necessary.

150. Also, in response to the question posed, another Board member recalled that certain projects had not been approved as a result of individual objections at previous meetings. The objections appeared to be a matter of principle. Therefore, to ensure that any developing country could access GCF funds, the Board needed a voting mechanism.

151. Some further background for the discussion was provided by one of the Board members who had worked in the small group between meetings and who had expressed opposition to several aspects of the Co-Chairs' proposal at the start of the meeting. They reminded the Board that the small group had submitted two reports to the Co-Chairs on the matter. The bilateral and group engagements as well as discussions in the Boardroom had been conducted in good faith with the aim of responding to the urgency underscored by some Board members. Thanks to these engagements, the overwhelming proportion of the document had now been agreed by Board members. The Board member outlined some remaining areas of concern. Determining whether all efforts at reaching consensus had been exhausted could not be a question of trust, given that the Board had to legislate for all future situations that may arise in the Board. The section should therefore take the form of an objective checklist. In addition, the first paragraph of the section on scope should include a reference to the "terms" of financial instruments in order to address the issue of access to different levels of concessionality. Finally, the Board

member called for the adoption of the highest possible threshold of voting in order to avoid the possibility that a regional group or constituency represented by a small number of Board members feel aggrieved by a Board decision, which was not in the interests of GCF. They further expressed a preference for the previous proposal to institute an additional threshold for the number of votes from the developing country and developed country constituencies.

152. Two Board members voiced their support for all the statements made by the previous Board member. In an effort to suggest objective criteria for determination, one of these Board members proposed that if an item had not been treated substantively at two Board meetings then efforts at reaching consensus could not be considered exhausted. Regarding the first paragraph under scope, the Board member was prepared to accept the current wording but said that they would prefer a reference to the "terms" of financial instruments, as proposed above, or to "access modalities". They saw advantages and disadvantages in both a two-thirds and a four-fifths threshold and would accept either.

153. A Board member proposed adding the option of absenting oneself from the Boardroom to the list of procedures included under efforts to reach consensus. This method had been used during the election of a Co-Chair at B.19. A Board member had read a statement and then left the room while a decision was adopted based on the consensus of those present.

154. Regarding scope, the same Board member requested that the phrase "or conflicts with" be added to the paragraphs addressing the Rules of Procedure, and arrangements between GCF and the COP. The Board member said that they had intended to request the exclusion of further items from the scope of the procedures, namely decisions that conflicted with the Governing Instrument, the UNFCCC, the Paris Agreement or COP guidance. However, they had been informed by the Office of the General Counsel that these were automatically outside the scope of the procedures given that the Board did not have the authority to change these of its own accord. Furthermore, the explicit exclusion of such items from the voting procedure could be taken to imply that the Board was able to decide on such matters by consensus. The Board member had also wished to exclude from the procedures certain GCF governance policies established by the Ethics and Audit Committee, such as those governing conflicts of interest and information disclosure, but had been informed that these were not policies established by the Ethics and Audit Committee and so should be left out of the scope of the procedures. The Board member was therefore not requesting these policies to be excluded. They said that decisions that would limit the control of the Board over GCF resources should also be excluded on that basis that resources should not be earmarked for specific purposes.

155. On the threshold, the Board member called for a four-fifths majority for both the whole Board and each constituency. Under the voting procedure, they said that alternate members acting on behalf of Board members should also be entitled to one vote. This was stipulated in the Rules of Procedure, but it was beneficial to state this explicitly in the procedures given that some seats represented multiple countries. The Board member said that with these changes they would be willing to adopt the draft decision.

156. Noting that they would consider the list of items proposed on scope, the Co-Chairs stressed that in their proposal they had not explicitly excluded decisions on matters that they believed were outside the purview of the Board. They said that the Office of the General Counsel could be called on to help further clarify where this was the case in order to address the concerns of the Board member. Regarding the proposal not to apply the procedures to decisions limiting the control of the Board over resources, the Co-Chairs expressed the view that it might prove difficult to draw the line on such a matter, noting the implications for modalities such as the simplified approval process (SAP) and requests for proposal (RFPs). On the threshold, they noted that the suggestion of two-thirds had been proposed by the previous Co-Chairs and was an attempt to reflect the middle ground among the preferences of the Board. They urged Board members to achieve a consensus among themselves in this regard on the margins of the meeting

while the Co-Chairs revised the remainder of the document in light of the suggestions from the Board.

157. A Board member highlighted that if reference was made to the voting entitlement of alternate members acting on behalf of Board members this reference should also be made under the balloting procedure.

158. Regarding Board control over resources, another Board member emphasized that the Board must avoid earmarking resources in order to ensure financial liquidity for funding proposals. They further highlighted a common thread among the proposals of the Board, which was to maintain the character of GCF in relation to aspects such as the eligibility of developing countries to access the breadth of financial instruments.

159. A further Board member said that they supported the proposals made by colleagues in the current session regarding scope and threshold. In the first paragraph in the scope section, they requested that decisions be referenced that impeded the progression of funding proposals through the project pipeline. They also asked that the phrases "developing countries" and "all developing countries" be changed to "any developing country". Finally, "financial instruments offered by the Fund" should be replaced by "financial instruments as well as resources offered by the Fund".

160. A number of Board members said that they supported the draft decision in its current form. Several of them noted that it represented a compromise. Several other Board members questioned the characterization of the process in this way. One said that it was important not to compromise on the functions and mandate of GCF. Another underscored that the current proposal was not a compromise but represented a concession on the part of a group of Board members who felt protected under the current decision-making system. They explained that developing country Board members were at a considerable disadvantage in terms of the resources at their disposal in their ability to process the large volume of Board documents presented at meetings. Therefore, they often only discovered issues of significant consequence to them at the meetings themselves. A further Board member said that while they acknowledged the desires of developed country Board members to address the matter, other Board members were taking a professional risk in agreeing to the details of the decision without sufficient opportunity to consult with national governments. They stressed the need to ensure that the procedures preserved the GCF policy system for future Boards.

161. One Board member noted their disagreement with the suggestion that the process had been one-sided. The Board member who had said that the process represented a concession on the part of some Board members clarified that they had not intended this remark as a criticism of the hard work carried out on the agenda sub-item.

162. The Co-Chairs said that they wished to bring the plenary discussion to a close in order to make progress on revising the document and to give Board members the opportunity to consult on the threshold.

163. Two Board members requested that the Board discussion continue. One noted that the nature of the task required Board members to discuss it in the formal setting of the Boardroom in order to be accountable to their constituencies. In addition, they had not been consulted in discussions so far on the margins of the meeting.

164. The Co-Chairs asked the Board members who had expressed views on the threshold to consult with each other on the sidelines of the meeting. They suspended the agenda sub-item.

165. The Co-Chairs re-opened the sub-item later in the evening. They informed the Board that while many of the items had been addressed, there remained a need for discussion regarding the threshold. They called on the following Board members to form a working group and consult on the matter outside the Boardroom: Mr. Wael Aboul-Magd, Mr. Frank Fass-Metz,

Ms. Irina Ghaplanyan, Mr. Mathew Haarsager, Ms. Kate Hughes, Mr. Ignacio Lorenzo Arana, Mr. Cyril Rousseau and Mr. Ayman Shasly.

166. The agenda sub-item was suspended.

167. The Co-Chairs reopened the sub-item later in the night. They informed the Board that a revised text had been circulated and presented the changes, which addressed the interventions of Board members during the previous discussion and within the working group.

168. The Co-Chairs said that they had been requested by a Board member to read out the following statement:

> This proposal is presented on the understanding that paragraph 12(a) of the procedures means that if a policy contains provisions on financial instruments and/or financial terms and those provisions explicitly prevent access of a certain developing country or countries to any financial instruments or any financial terms available through the GCF, then those specific policy provisions will be covered by paragraph 12(a) and hence will be decided by consensus. To the extent a policy does not contain provisions on financial instruments and/or financial terms that explicitly prevent access of a certain developing country or countries to any financial instruments or any financial terms available through the GCF, it will not be covered by this paragraph 12(a). This understanding will be in the record and the report of the meeting.

169. The Co-Chairs explained the context of the statement. While Board members had agreed during consultations that they wished to exclude policies from the procedures that might restrict the access of developing countries to financial instruments or terms, they had realized that there was a risk of this occurring in decisions that primarily addressed other matters. In order to avoid referencing all policies in the decision, this statement had been formulated to underline the way in which the decision was to be interpreted.

170. They invited the Board to adopt the draft decision and annex as amended.

171. A Board member highlighted that the fact that consensus appeared to have been reached on the current item was evidence that a voting procedure was not needed. They also requested colleagues to agree that any future interpretation of the procedure should be made by the Office of the General Counsel.

172. The Co-Chairs said that according to their understanding, the Board would refer to the Office of the General Counsel as a matter of course regarding questions of interpretation.

173. Another Board member said that the Board itself was responsible for the interpretation of decisions, as exemplified by the statement that had just been read out by the Co-Chairs. It could, however, call on the Office of the General Counsel for guidance.

174. A further Board member wished to state for the record that the threshold proposed in the draft decision put the LDCs in a very difficult position. These 47 countries, who faced the greatest obstacles of any group of countries, were represented by one Board member and one alternate member. Under the suggested procedure, four or more developed country Board members or four or more developing country Board members would be required to vote against a decision in order to prevent it from being adopted. Therefore, if faced with a decision that they wished to oppose, the Board member representing the LDCs would have significantly greater difficulty than Board members who were part of a regional group or constituency that was represented by several Board members. The Board member stressed that the success of the LDCs was therefore dependent on the goodwill of other Board members.

175. The Co-Chairs thanked the Board member for their statement and invited the Board to adopt the draft decision.

176. Hearing no further comments or objections, the draft decision was adopted.

177. The Board took note of document GCF.B.23/09 titled "Co-Chairs consultations: decision-making in the event that all efforts at reaching consensus have been exhausted".

178. The Board adopted the following decision:

DECISION B.23/03

The Board, having considered document GCF/B.23/09 titled "Co-Chairs consultations: decision-making in the event that all efforts at reaching consensus have been exhausted":

(a) Adopts the procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted as set out in annex III;

(b) Confirms that the procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted shall only be used as a last resort;

(c) Requests the Co-Chairs to continue to enhance the effectiveness of pre-Board meeting consultations in an open, inclusive, consultative and transparent matter; and

(d) Also requests the Co-Chairs to consult and present to the Board for its consideration, not later than the twenty-fourth meeting of the Board, a proposal regarding the next steps in the event that during the application of the procedure referred to in section VI of annex III, any Board member expresses the view that they are unable to join consensus regarding the outcome of such procedure.

(c) Co-Chairs consultations: guidelines on decisions without a Board meeting

179. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/16 titled "Outcome of Co-Chairs consultations: guidelines on decisions without a Board meeting". They informed the Board that the proposal built on the consultations during B.22 led by two Board members, Ms. Hughes and Mr. Lorenzo Arana, and they expressed their sincere appreciation to these Board members for having led the work.

180. They reminded the Board that, between B.22 and B.23, the Co-Chairs had implemented a number of changes to the process of transmitting decisions taken without a Board meeting. These changes took account of the views expressed by Board members during B.22 and subsequent consultations. The changes to the Board transmittal notice included:

(a) An explanation from the Co-Chairs as to why a decision was required that could not be deferred to the next Board meeting, including, where appropriate, a formal request from a chair of a Board committee, panel or group;

(b) Confirmation, in accordance with paragraph 41 of the Rules of Procedure, of the period prescribed for replies;

(c) Confirming and encouraging alternate members to engage with Board members if they had comments on the proposed draft decision;

(d) Confirmation, in accordance with paragraph 43 of the Rules of Procedure, of the process the Co-Chairs would be following in the case of replies and objections; and

(e) Confirmation, in accordance with paragraph 44 of the Rules of Procedure, that a copy of such proposals shall be provided to the active observers for their information, unless otherwise determined by the Board.

181. The Co-Chairs also noted that the decision did not prejudice the proposal to be developed pursuant to decision B.18/06, paragraph (c)(ii), and the outcome of the review mandated by decision B.18/06, paragraph (b).

182. The draft decision in annex I to document GCF/B.23/16 proposed that the Board adopt the following:

(a) Guidelines to determine in which cases decisions without a Board meeting may be requested (outlined in annex II to the document); and

(b) Guidance in respect of the implementation of paragraph 43 of the Rules of Procedure (presented in annex III to the document).

183. They asked if the Board was ready to approve the draft decision.

184. Several Board members thanked the Co-Chairs and those Board members who had worked on the revised document, noting it was a significant improvement on the previous version. One specifically commended the improvements in the areas of disclosure and transparency, which now brought the document into line with the Information Disclosure Policy.

185. Several suggestions were made for further refinement, and it was felt that once these had been made the draft decision could be adopted.

186. Specific points raised by Board members were as follows:

(a) The first related to annex II, paragraph 1(f), "Such other matters which in the judgement of the Co-Chairs a decision must be taken on an extraordinary basis and not postponed to the next meeting of the Board." A Board member recalled a previous decision proposed between meetings that involved a budgetary figure that was more than half the amount that had been considered at the Board meeting. The member considered this was so significant that it warranted consideration in a formal Board meeting. The current text could be read as meaning that it was for the Co-Chairs to decide whether the amount was significant. The member suggested that any amount that was more than half the total dollar value that had been agreed by the Board under a previous decision should come back for full Board consideration;

(b) A second point related to annex III, paragraphs 12 and 13, which described the consequence of lifting an objection during the prescribed period (as defined in paragraph 1 of that annex). During this period, while the Co-Chairs were working through the objection with the objecting Board member/s, the decision was effectively in legal limbo. At the same time, other Board members were not involved. The power of decision-making remained with the objecting member/s and Co-Chairs without the full knowledge of the other members. It was perhaps therefore necessary that the Co-Chairs consult again with all Board members. This was particularly important in relation to paragraph 12(b)(i), which stated, "Adversely affect third parties in a way which it would not have done had it been approved at the end of the prescribed period for replies". This implied that the Co-Chairs would have knowledge of the possible adverse impact on third parties whereas this should be determined by the third parties themselves; circumstances may have changed, and it would be difficult for the Co-Chairs to analyse if these had changed for the remaining Board members;

(c) The question of what constituted a quorum, which was specifically covered in the Governing Instrument, had been omitted and this needed further discussion;

(d) The text needed to be amended to permit Board members to delegate to alternate members. This had been raised by several Board members at B.22; and

(e) Paragraph 12(a) should be moved or redrafted. (It stated that "The relevant Board member lifted the objection on the basis that a new decision which addresses or resolves the original objection will be proposed by the Co-Chairs to the Board, in accordance with paragraph 41 of the Rules of the Procedure, in which case, such new decision shall be proposed promptly for approval".) This text was not clear on the procedure for a Board member to lift an objection on the basis of a commitment by the Co-Chairs to propose an additional decision to address their concern.

187. In relation to annex III, section IV on active observers and transparency, an active observer for CSOs welcomed that the proposed decision made it clear that decisions proposed between meetings and related documents would be shared with active observers and published on the website at the same time as they were shared with the Board. Although the Rules of Procedure allowed for the participation of active observers in decisions proposed between meetings, in practice, until recently, active observers had not been informed of such upcoming decisions. Furthermore, relevant Board documents had not been shared, and the active observers had not been given the opportunity to express their concerns and suggestions in line with their ability to intervene during Board meetings. They appreciated that, for the first time, between B.22 and B.23 several decisions proposed between meetings were shared with the active observers. It was essential that active observers have the opportunity to participate effectively in decisions proposed between meetings. As a further step, with reference to paragraph 14, they strongly urged that the guidelines also include a provision that any comments from the active observers be shared with Board members, alternate members and advisers via the Secretariat prior to the end of the no-objection period. Furthermore, with regard to paragraph 16, they urged that the decision specify that the documents produced on decisions without a Board meeting for the subsequent Board meeting include comments received from both Board members and active observers.

188. The Co-Chairs thanked the active observer for the comments.

189. A Board member cautioned that, regarding quorum, there needed to be some checking mechanism before a quorum was assumed for a decision without a Board meeting. There had been a situation where the Board member had not received an email sent by the Secretariat. There should be a requirement for the Board member to positively acknowledge receipt of an email on a decision without a Board meeting from the Secretariat. Another alternative, which had not been tried by the Board before, was a full Board conference call. Furthermore, noting that the Executive Director had referenced the need for the Secretariat to deal with some issues more rapidly, such as funding proposals that needed restructuring or cancellation, since the Board did not reside at the Secretariat, perhaps a small executive council should be constituted. This could be on a 3:3 or 4:4 basis of developing/developed country Board members who could work full time.

190. The Co-Chairs said that this was noted and could be considered by the Co-Chairs and the Board.

191. The Co-Chairs' teams would consult with Board members on proposed revisions to the text, and the agenda sub-item was suspended.

192. The agenda sub-item was not reopened.

193. The Board took note of document GCF/B.23/16 titled "Outcome of Co-Chairs consultations: guidelines on decisions without a Board meeting".

194. No decision was taken under this agenda sub-item.

Agenda item 9: Eighth GCF report to the Conference of the Parties to the United Nations Framework Convention on Climate Change

195. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/10 titled "Eighth report of the GCF to the Conference of the Parties to the United Nations Framework Convention on Climate Change". They reminded the Board that the report presented the Board's response to guidance provided by the UNFCCC COP. They proposed the addition of a paragraph to the draft decision in annex I to the document in order to indicate that the Board had approved the report. The Co-Chairs invited the Board to adopt the draft decision.

196. A Board member requested clarification as to where the paragraph would be inserted in the draft decision.

197. The Co-Chairs said that the additional paragraph would become paragraph (a) in the final decision.

198. Another Board member requested that the report refer to the new strategy of the Readiness Programme and to the Policy on Prohibited Practices, both of which had been adopted at B.22.

199. The Co-Chairs said that these references would be added.

200. The Board member who had requested clarification on the location of the new paragraph in the draft decision asked if it was logical for the Board to approve the report before it had been finalized by the Co-Chairs. Another Board member asked if the report could be finalized and subsequently approved by the Board.

201. The Co-Chairs explained that the Secretariat could make the amendments requested and present the report for Board approval later in the meeting. However, further revisions might still be necessary after the meeting in light of its conclusions. The established practice of the Board had been to adopt a decision based on the overall substance of the report and to request the Co-Chairs to update the report to reflect the outcomes of the Board meeting, with the assistance of the Secretariat.

202. A Board member stressed that the report should include details of the outcomes of the upcoming replenishment process. They asked what process would be used to ensure that the report would be updated accordingly.

203. The Co-Chairs explained that an addendum to the report would include information on the replenishment results and would be published after B.24.

204. The Board member asked if the Board would be invited to approve the addendum.

205. The Co-Chairs said that the Board would receive the addendum but that it was not established practice to submit additions to the report to the Board for approval.

206. The Board member expressed their concern regarding the potential implications resulting from the addendum on replenishment not being approved by the Board. They therefore requested that the additional paragraph proposed by the Co-Chairs relating to Board approval not be added to the decision.

207. The Co-Chairs invited the Board to adopt the draft decision without the additional paragraph.

208. There being no further comments and no objections, the decision was adopted.

209. The Board took note of document GCF/B.23/10 titled "Eighth report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change".

210. The Board adopted the following decision:

DECISION B.23/04

The Board, having considered document GCF/B.23/10 titled "Eighth Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change":

Requests the Co-Chairs, assisted by the Secretariat, to finalize the "Eighth Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change", presented in annex II to document GCF/B.23/10, taking into consideration the comments made and decisions taken at the twenty-third meeting of the Board, and submit the revised report to the United Nations Framework Convention on Climate Change secretariat no later than 12 weeks prior to the twenty-fifth session of the Conference of the Parties, in accordance with decision 7/CP.20, paragraph 23.

Agenda item 10: Performance evaluation of the Heads of the Independent Units

211. This agenda item was considered in executive session.

212. The Board adopted the following decision:

DECISION B.23/05

The Board, having considered the document titled "Report of the Performance Oversight Committee of the Heads of Independent Units to the Board":

(a) Takes note of the report of the Performance Oversight Committee as contained in annex IV;

(b) Decides, based on the recommendations by the Performance Oversight Committee, to convey its intention to offer reappointment to the Heads of the following Independent Units:

(i) Independent Integrity Unit;

(ii) Independent Evaluation Unit; and

(iii) Independent Redress Mechanism Unit;

(c) Requests the Co-Chairs to conduct the necessary work to make sure that all Heads of Independent Units will be in post, including negotiating the terms of the contract for the reappointed Heads of Independent Units, in accordance with the approved detailed terms of reference for Heads of Independent Units (annex VI to document GCF/B.22/21), in prior consultation with the Budget Committee, and signing, on behalf of the GCF, the new employment contract between the said Heads of Independent Units and the GCF;

(d) Also requests the Performance Oversight Committee to consider, in close consultation with the GCF Secretariat and the Budget Committee, a policy related to the performance-based increment increases in payment for the Heads of Independent Units and submit it to the Board for its consideration;

(e) Further requests the Performance Oversight Committee to consider the development of the annual performance evaluation of the three Heads of Unit and the Executive Director, in line with the relevant decisions and guidelines including annex X to the approved decision B.17/12 titled "Performance criteria and measurement procedures of the Executive

Director of the Green Climate Fund Secretariat", and to submit the same to the Board for its consideration; and

(f) *<u>Decides</u> that the Performance Oversight Committee will engage an independent external human resources firm for the purpose of the following tasks, in consultation with the Budget Committee, following a procurement process in accordance with the Administrative Guidelines on Procurement and supported by the Secretariat:*

(i) *Assisting the Co-Chairs in negotiating and concluding the terms of contract with the reappointed Heads of Independent Units;*

(ii) *Assisting the Performance Oversight Committee in developing and carrying out the annual regular performance evaluation of the Heads of Independent Units and the Executive Director; and*

(iii) *Assisting the Performance Oversight Committee in developing the policy related to the introduction of performance-based pay increase as referred to in paragraph 4 above, if need arises.*

Agenda item 11: Performance review of the GCF

213. The Co-Chairs introduced the agenda item and drew the Board's attention to document GCF/B.23/20 titled "Forward-Looking Performance Review of the GCF".

214. They noted that this had been reviewed by the Board at the informal meeting in the Holiday Inn, Songdo, Republic of Korea, on Friday, 5 July 2019. However, as it represented an important part of an assessment of what GCF had achieved since it was established, and what more it could achieve, the Co-Chairs felt it important to consider it in the full Board meeting so that that Board members could make their views known in this formal setting.

215. They invited Ms. Jo Puri, the Head of the IEU, to present the FPR.

216. Ms. Puri stated that it was a privilege to present the FPR and wished to acknowledge the team that had supported it, including the IEU staff, consultants and the external consortium. It had been an effort of will and trust to achieve a high-quality report, especially given the short lead time and resources available.

217. Ms. Puri highlighted that GCF has achieved much during its initial years including:

(a) Committing just over USD 5.3 billion (or 75 per cent) of the USD 7.1 billion of available pledged capital to projects and programmes; and

(b) These projects were expected to reduce 1.5 billion tonnes of carbon dioxide equivalent (tCO_2eq) and benefit over 276 million people.

218. However, and as expected, the review also found a number of areas where GCF could improve. In particular, these included:

(a) The time required to apply for and finally receive GCF financial support was long at more than 1,000 days;

(b) GCF met less than 1 per cent of developing countries' total quantified financial needs for combatting climate change (as expressed in their nationally determined contributions (NDCs)); and

(c) Critically, the review found that with less than 10 per cent of committed GCF funds (USD 5.3 billion) currently disbursed to projects and programmes, GCF still needed to demonstrate the urgency required to deal with today's climate crisis.

219. The Head of the IEU also highlighted that: "The GCF occupies a unique role in the global fight against climate change. It is the leading agency for financing actions by developing countries to adapt to and mitigate climate change".

220. This role could be enhanced by following the key recommendations in the FPR:

(a) Better addressing the individual needs and capacities of developing countries and increasing the role of national entities in managing GCF-funded activities;

(b) Developing a new Strategic Plan that positioned GCF as a thought leader, policy influencer and provider of innovative climate crisis solutions;

(c) Re-emphasizing its support for adaptation investments, while recognizing the role of new actors, such as the private sector, in mitigation;

(d) Improving access to GCF through more transparent, "user-friendly" policies and greater predictability in GCF processes; and

(e) Ensuring greater delegation of authority and decision-making from the Board to its Secretariat.

221. The Co-Chairs thanked the Head of the IEU for the presentation on the FPR, which the Board had commissioned so that it could learn from the experience of the IEU to date and identify how the impact of GCF might be increased in the future. They noted that this was the period before the current Executive Director, Mr. Glemarec, took office. The Board now looked to Mr. Glemarec to pick up the gauntlet and provide an initial management response to the FPR.

222. Mr. Glemarec thanked the Head of the IEU and her team along with the consultants for their work on the FPR; the document was very insightful and would be most helpful heading into GCF-1. The Executive Director expressed praise for his predecessors and said he was pleased to see that the review recognized the achievements of GCF during its first four years. By the end of the year, up to 100 per cent of GCF resources could be allocated and 70 per cent of these resources could be under implementation, subject to the signing of legal arrangements for projects; having worked with more than 100 trust funds during his career, the Executive Director opined that this is a substantial achievement for such a young institution.

223. However, Mr. Glemarec expressed full agreement with the assessment of the IEU that GCF needed to sharpen its strategic focus, business model, operational model and integrated results and resource framework. He then summarized actions that were being taken by the Secretariat to address areas where there was a need for a sharper focus as detailed below.

Strategy

224. The Executive Director reminded the Board that when the strategic programming framework had been presented under agenda sub-item 12(d) the previous day, four key outcomes had been highlighted: (i) helping developing countries to identify and programme transformative initiatives; (ii) catalysing innovation; (iii) helping developing countries to mobilize resources at scale; and (iv) ensuring that knowledge was leveraged. A number of the points highlighted by the IEU review were being addressed as part of this sharpening of the strategic direction of GCF, such as making sure the comparative advantage of GCF was leveraged both in terms of innovation and reaching scale.

225. Mr. Glemarec reiterated the commitment of GCF to balanced allocations between adaptation and mitigation. In line with decision B.06/06 related to GCF IRM targets that expressed figures in terms of grant equivalence, adaptation currently represented 52 per cent, and mitigation 48 per cent. It was recognized that it was also important to consider allocations in nominal terms and that was why adaptation was being prioritized in recent Board-approved

projects. Notably, the Executive Director observed that six of the ten projects just approved by the Board focused on adaptation while three were cross-cutting.

226. In terms of using the full range of instruments to leverage private finance, funding proposal FP115 was an excellent example of moving from concessional to risk finance, using grants for policy de-risking and equity finance and guarantees for financial de-risking. By adopting this approach, GCF would achieve extremely high leveraging ratios. For FP115, the direct leveraging ratio was 1:18. Once the project had been commissioned it would be a standard, basic project, and if GCF then sold its share to institutional investors, it could potentially recover all the public finance used. This gave a completely new meaning to the term "catalysing finance"; GCF was using public money to accelerate private investment and it would then be able to reinvest the public money for new initiatives.

227. FP115 also addressed another of the comments by IEU that GCF was mostly mobilizing public money. In this case, GCF was partnering with Mitsubishi Bank to mobilize more than USD 600 million of private money. The new portfolio just approved showed that the Secretariat was fully aligned with several of the recommendations of the FPR and was already taking action to address them. This included the importance of adaptation, innovation and using the full range of instruments to develop a niche in the field of mitigation by inventing a new form of blended finance.

Business model

228. Mr. Glemarec noted that as GCF functioned through a network of AEs, its role was to help them magnify impact by providing the finance they did not have. Regarding transaction times for AMAs and FAAs that were key for the proper functioning of this network, no one could be satisfied with the current situation. However, some dramatic improvements were taking place in terms of accreditation. The timescale for FAA negotiation and signing had been reduced from 16 to 8 months. Recognizing that a timescale of eight months was not particularly remarkable, the Secretariat had just established a new best practice of 24 hours. The Executive Director informed the Board that the FAA for funding proposal FP108 would be signed later that day. As the Board may wonder how this had been achieved, he explained that rather than working sequentially, the Secretariat was working in parallel. They had decided to take the risk that the Board would approve the project. While this could not be done every time, the Secretariat was increasingly moving to template FAAs; with increasing knowledge of GCF partners, it should be possible to further reduce the average time.

The GCF operational model

229. Mr. Glemarec summarized steps to sharpen the operational model, including via a project-cycle mapping exercise that had been completed. This would help to ensure that GCF partners received balanced feedback on their project proposal, which was not dependent on the individual member of staff dealing with it. There were other reasons for sharpening the operational model, including that as the Secretariat moved towards a much greater focus on implementation it needed to improve efficiency. While difficult to assess, 40 per cent was an initial target for efficiency gains. Furthermore, several manuals were being developed to better guide partners in working with GCF, including, among others, the GCF operational manual, a new GCF policy manual and the GCF-defined second due diligence process.

Policy and governance

230. The Executive Director noted that the Secretariat was already considering some possible initiatives to dramatically improve efficiency. One option was that, as part of the Strategic Plan, there could be an element that mapped the policy agenda for the next four years and

determined what policies were needed to implement the Strategic Plan as well as which ones were political policies, and which were operational. This would ensure a more transparent process to enable the Board to be clear on which matters should be delegated to the Secretariat.

231. The Co-Chairs expressed thanks again to the Head of the IEU and to the Executive Director for their enthusiasm and grip on priorities. The review and response to it was a good example of how GCF quickly learned and adapted. It was also impressive to learn that the FAA for funding proposal FP108 would be signed within 24 hours of being approved.

232. They opened the floor for comments.

233. Board members expressed thanks to Ms. Puri and her team for the comprehensive assessment. What had been achieved in just six months was very impressive and the work was outstanding. One noted that it met the expectations of many Board members. Board members also commended the Secretariat for the fast response to the review.

234. In the ensuing discussion, Board members highlighted several matters.

The GCF context

235. A contextual point was raised by one Board member and echoed by another. The review had failed to articulate that GCF was an operating entity of the UNFCCC. Under the UNFCCC and the Paris Agreement, which aimed to enhance the implementation of the UNFCCC, developed country Parties (Annex I and Annex II) had a legally binding commitment to provide finance without shifting liabilities to developing countries; the concept of co-finance did just that. The mandate of GCF was not to make money but to provide money to help developing countries to adapt and to support, where possible, those countries to limit their emissions. It was an historic responsibility of developed countries to provide public finance and the basis of this was grants. The second Board member cautioned against moving quickly in the direction of leveraging and a particular co-financing ratio. Another Board member, while recognizing the need to be innovative in its financial instruments, said that at this stage in the development of GCF, it should still be focusing on how to increase the grant component, which was important to many developing countries. This should be a priority for the first replenishment.

GCF achievements

236. Others opined that while it was very important to highlight areas for improvement, it was also important to recognize the major achievements of GCF and the Secretariat staff in a very short space of time. One noted that the achievements needed to recognize the enormous challenges there had been in building Secretariat staffing as well as retaining those who had been recruited, including Executive Directors and the General Counsel. As the numbers had grown to around 200, this was clearly benefiting the Secretariat's performance in accreditation, funding proposals, disbursement and other matters. The turmoil in staffing that had been experienced helped to explain the in excess of 1,000 days figure for disbursements.

Trillions not billions

237. In terms of the mandate of GCF, a Board member opined that, given that the science showed that there were just 10 years in which to achieve a paradigm shift, the international community needed to be focusing on shifting trillions not billions of United States dollars in investments. The Board needed to work out what GCF could contribute to that. The Board member expressed concern at the numbers, namely the approximately USD 5 billion in

approved funding proposals was leveraging some USD 17 billion in private finance. As such, USD 1 was mobilizing only USD 0.83 from the private sector. They said that the focus should be on shifting financial flows and not on co-financing. This required a clear definition of paradigm shift and transformational impact. The investment criteria also needed a clear climate dimension. Another Board member underlined that within paradigm shift, GCF needed to establish priorities. Furthermore, they noted that the presentation by Ms. Puri had highlighted that paradigm shift was about scale. If GCF could not provide meaningful financial support, it would not be able to claim that it was leading the paradigm shift. On average, GCF was talking of USD 2–3 billion a year which was less than 1 per cent of total needs. In this regard, establishing realistic benchmarks for measuring GCF was important. Such benchmarking should not just be with other environmental institutions but also with MDBs and national governments, which were also mobilizing climate finance. Finally, while it was tempting to expand the mission of GCF into other areas, such as social development, this would dilute its focus and there were other institutions better suited to this field.

238. The Co-Chairs thanked the Board member from China for their intervention and expressed regret that they would not be continuing as a GCF Board member.

Mitigation and adaption

239. A further Board member argued that the disparity others had noted in terms of mitigation versus adaption related to a wider societal problem in relation to climate change; reducing emissions had attracted more attention than capturing greenhouse gases that were already in the atmosphere. Limiting global temperature increases to 1.5 °C above pre-industrial levels was about both. The fact that reducing emissions had attracted more attention was a function of short-termism over long-termism, and short-termism led to extinction. Reforestation was more long term as a vehicle for capturing greenhouse gas emissions. There was an opportunity for GCF to look for partners with an interest in long-term investments and to incentivize this. Another Board member underlined that adaptation was an absolute priority as developing countries had not caused the climate change problem, yet every institution they were involved with was prioritizing mitigation. The FPR revealed that the mitigation/adaptation ratio was, at best, 2:1.

240. Another Board member, while noting that GCF was providing less than 1 per cent of the needs of developing countries, said that a successful replenishment would enable it to achieve more. At the same time, they recognized that GCF was only part of the solution to the challenges of climate change faced by the world. Another said that the review and the Secretariat’s response highlighted what GCF had achieved and set out the tasks that needed to be undertaken to further improve GCF operations. On the plus side, the FPR affirmed that the GCF business model was the right one and that GCF had developed a country-driven approach through a network of AEs to support developing countries in achieving the objectives of the UNFCCC. While it was clear that GCF was an instrument of the UNFCCC, it needed to be remembered that resources to be generated from replenishment were the means of implementation not the objective. In this regard, GCF was still operating below its potential. The task now was to work out how it could be further developed to meet its potential to deliver transformational change in line with the UNFCCC, the Paris Agreement and the Governing Instrument. The review had correctly identified that the main priority was how GCF could increase its impact. The Board member echoed the priority areas highlighted by other Board members in order to increase impact, including being more strategic, being more selective and delivering higher quality to maximize the use of resources from the replenishment process. In addition to these points, there was a need for much greater attention on how to more fully engage the private sector to leverage resources to achieve higher impact from the public resources GCF was providing. These points were echoed by another Board member.

Effectiveness and efficiency

241. The question of the efficiency of GCF was referenced by several Board members. One differentiated between effectiveness and efficiency, stating that GCF had been effective but was not particularly efficient. This, they suggested, was closely related to prioritization. In this regard, they would prioritize resource allocation, the policy framework, the work of the Secretariat and the Board and the accreditation system. With reference to the Board, it needed to be more efficient and needed to delegate more authority to the Secretariat. Another Board member also highlighted the IEU recommendation to have a clear division of labour between the Board and Secretariat, while another noted that this would need further discussion. Other Board members picked up on the review's finding that GCF policies were a burden for partners who wished to have their funding proposals approved and delivered. On the one hand, there appeared to be too many policies, but, on the other, there were policy gaps. How should the Board ensure that, in developing new policies, it was not compounding the problem?

Computerized tracking systems

242. Given that the review had highlighted, albeit based on historical data, that GCF processes were seen as "slow" and "lengthy", both in terms of accreditation and disbursements, a Board member proposed introducing a computerized system to track the status of the funding proposals and also the entities in the accreditation system. This should be coupled with a transparent time management system for accreditation and funding proposals. The review had identified 81 points through process mapping and indicative times could be provided for each of these. This would enable monitoring both by management and other stakeholders to see where a project was and what bottlenecks existed. Such statistical data would enable workload adjustments to tackle pinch points. This approach, combining time management and document management, would increase speed, transparency and effectiveness.

Accreditation

243. Others underlined the need for the accreditation process to be prioritized and the accreditation framework to be analysed and improved. One urged that the accreditation strategy be finalized and to move from a "first-come, first-served" approach to one that focused on which entities were best placed to help to fulfil the mandate of GCF. Linked to this, a Board member said 80 per cent of GCF resources were being channelled through ten AEs, and most of these were international accredited entities (IAEs); this did not represent "country drivenness". They opined that part of the reason for this was the cumbersome accreditation process. To achieve the objectives of GCF, it must involve a country-driven approach. Furthermore, they proposed that project sizes that DAEs could access needed to be analysed; many were in the "small" category. How could they achieve an upgrade from one category to the next? Finally, they proposed expanding the role of NDAs beyond no-objections letters (NOLs). They should receive all reports (technical and financial) submitted by the AE during the implementation phase. They were currently not kept informed of what happened to a project post approval.

Readiness and Preparatory Support Programme

244. Another Board member highlighted the need to further improve the Readiness Programme as this provided a platform for countries, especially the LDCs, SIDS and African States, to access GCF. It was necessary to achieve an efficiency level in this regard.

Urgency and Board priorities

245. A Board member expressed concern that, despite the issues highlighted, a message about urgency, alarm and prioritization did not come through, for example, in terms of the

workplan and agenda for the next Board meeting. They also cautioned against an undue focus by the Board on one issue as if the solution to it would act as a silver bullet. If the Board were to adopt a decision on decision-making in the absence of consensus, this would still leave a large batch of issues causing GCF to underperform. It was essential to prioritize the bottlenecks and evaluate how to address them. Every issue needed to be given equal weight and dealt with by the Board accordingly.

Active observers

246. An active observer for CSOs recognized the significant amount of work performed by the IEU in preparing the FPR. They highlighted the review's recognition of the rights-based policies of GCF and expressed the hope that GCF would continue to push to raise the bar for rights-based climate action, such as in the upcoming guidelines for operationalizing the Indigenous Peoples Policy.

247. They endorsed the IEU finding that GCF should be contributing much more to adaptation and working more through DAEs in delivering emission reductions and building resilience, in particular, among poor and vulnerable communities in the context of sustainable development.

248. The active observer said they were highly concerned about the way that private sector involvement was endorsed and praised. This trend had been especially noted in the adaptation discussion, where the question of what contribution the private sector could make to address the needs of the most vulnerable showed a lack of critical reflection regarding where the sector could really add value and where they could do harm. CSOs expected GCF to maintain and further improve its ESS and not to lower its standards to court the private sector.

249. They stated that over time they had gained the perception that there was a considerable appetite among Board members for risk-taking, as long as it helped to engage the private sector, while approaches such as enhancing direct access, which, in the view of CSOs, has a great transformational potential, were often regarded with scepticism.

250. It was the view of CSOs that much of the "scale and additional finance" had to come, first and foremost, through greater financial resources from contributing countries, in particular, developed countries, rather than leveraging the private sector as the key strategy to scale up finance.

251. While "innovation" could be an important objective of GCF, it must recognize that the lack of ideas or innovation was not the key impediment to more ambitious climate action; instead, the barrier was insufficient financial resources as well as a lack of political will to set the right incentives and regulations to scale up approaches that had proved to be effective.

252. CSOs also believed that "innovation" and the appetite for "risk-tasking" should not focus on a conversation about the private sector when true innovation at this stage would mean embracing full-cost financing, working through direct access, and ensuring funding flows to local communities through regranting mechanisms. The observer noted that the greatest risks would be borne by communities if rights-based approaches were not operationalized to the highest standard.

253. While recognizing that delegating tasks to the Secretariat unburdened the Board and promoted efficiency, this should not come at the expense of transparency and involvement of the expertise and perspectives of CSOs. The observer echoed the call of the IEU to leverage the potential of CSOs as key actors with roles and responsibilities in this space. They supported the call of the IEU for support to civil society both "financially and operationally", in-country and globally. They stood ready to contribute to GCF realizing its potential in alignment with the review.

254. The Co-Chairs apologized to the active observer for PSOs for not inviting them to make an intervention as there was insufficient time.

255. They invited the Board to adopt the draft decision.

256. There ensued a brief discussion on whether the Board was "welcoming" and "taking note" of the FPR or just "taking note" of it. It was agreed to amend the wording in paragraph (a) to "takes note of the first review" and in paragraph (b) to "… takes note of the findings".

257. There being no further comments or objections, the draft decision was adopted.

258. The Board took note of document GCF/B.23/20 titled "Forward-Looking Performance Review of the GCF".

259. The Board adopted the following decision:

DECISION B.23/06

The Board, having considered document GCF/B.23/20 titled "Forward-Looking Performance Review of the GCF":

(a) <u>Takes note</u> of the first review of the performance of the GCF by the Independent Evaluation Unit as requested in decision B.21/17;

(b) <u>Also takes note</u> of the findings and recommendations presented in the final report of the Forward-Looking Performance Review of the GCF;

(c) <u>Requests</u> the Secretariat to provide a management response to the Forward-Looking Performance Review of the GCF to the Board at its twenty-fourth meeting; and

(d) <u>Decides</u> to continue its consideration of this matter at the twenty-fourth meeting of the Board.

Agenda item 12: Matters related to the first formal replenishment of the GCF

(a) Report from the replenishment process

260. The Co-Chairs opened the agenda item and drew the attention of the Board to agenda sub-item 12(a), "Report from the replenishment process". They reminded Board members that a summation of the first consultation meeting held in Oslo, Norway on 4–5 April 2019 had been transmitted to the Board on 10 April 2019. They invited Mr. Johannes Linn, the GCF Global Facilitator, to provide an update on the process.

261. Mr. Linn presented a brief summary of the meeting and informed the Board that based on expressions of interest, the Secretariat, in consultation with the Co-Chairs and the Global Facilitator, had accepted an offer from Canada to host the second consultation meeting. On behalf of all present, Mr. Linn expressed thanks to the Canadian authorities and to the Board member from Canada and her colleagues. The Global Facilitator also expressed thanks to those authorities and colleagues who had also offered to host the meeting, including Hungary, Jamaica, Liberia and Luxembourg.

262. The Co-Chairs expressed thanks on behalf of the Board to Mr. Linn for his excellent work and invited any Board members representing the Board at the meeting to take the floor if they wished to make any further comments. Several Board members representing the Board as observers made interventions following which other Board members also made comments.

263. Those Board members who had attended the meeting commended Mr. Linn for this comprehensive and balanced report and thanked the Board member from Norway, Mr. Hans Olav Ibrekk, for organizing the meeting and the Norwegian Government and City of Oslo for generously hosting it. Mr. Ibrekk also expressed thanks to Mr. Linn for his skilful facilitation of the meeting, which had been conducted in a constructive spirit. He expressed the hope that the "Oslo spirit" would transfer to the second consultation meeting to be held in Ottawa, Canada. He noted that the sequencing of meetings would need to be discussed further and that there had been no discussion on the size of the replenishment. It was also noted that it was the first official GCF meeting attended by the new Executive Director, Mr. Glemarec. Mr. Ibrekk also expressed thanks to the Secretariat for its support, and specifically the Office of the General Counsel for help in resolving issues regarding privileges and immunities. Furthermore, he noted that it had been a pleasure for the Norwegian State Secretary to be able to announce that the Government of Norway intended to double its IRM contribution for GCF-1 in the country's currency, the Norwegian krone. It was hoped that this, coupled with the decision by the Government of Germany to double its IRM contribution, would create a positive momentum and spirit for other countries to follow.

264. Several members also expressed thanks to the Board member from Canada and the Government of Canada for offering to host the second consultation in August.

265. One Board member noted that developing country Board members were very much in listening mode and that they had gained interesting insights. The Board member highlighted a few points from the meeting, including:

(a) The Secretariat's absorptive capacity had been stated as being between USD 3–5 billion, which, taking a midpoint of USD 4 billion multiplied by four years, would give a figure of USD 15 billion in round numbers over the period. However, the meeting did not agree any sort of target;

(b) There had been no clarity regarding a trigger for the second replenishment. This was important to remember to ensure the Board would be mindful during the period to 2023 to manage its disbursements in a prudent manner; the matter remained open;

(c) There had been some calls for minimum contributions for Parties to engage in the process, but a number of smaller contributors had expressed concern that this could potentially exclude them. From a developing country perspective, it was important that everyone could make contributions, however small;

(d) The sequence of Board meetings in relation to the pledging conference was an important issue. It would be better if B.24 took place after pledging but before the end of the year so the four-year plan could be updated. This could be discussed under agenda item 24, "Dates and venues of upcoming meetings of the Board"; it would be more efficient if this was completed under the existing Co-Chairs. This was echoed by another Board member; and

(e) Finally, the Board member requested that assistance in relation to visas be provided to those Board representatives attending the Ottawa meeting.

266. These points were echoed by another Board member who expressed support for B.24 being held later in the year or for an additional meeting to be held, which was their preferred option. Furthermore, the Board member suggested that perhaps this group of Board members could have a role in relation to the United Nations Climate Action Summit 2019 being held by United Nations Secretary-General António Guterres in New York in September. This could be to help ensure Heads of State were made aware of the importance of GCF, both in relation to developing country needs and the GCF capacity of USD 3–5 billion per year. It was not clear that the link between what GCF was doing and capable of doing would be clearly transmitted to the Climate Action Summit. How could the Board communicate clearly its needs to the Climate

Action Summit? The Board member asked if the Co-Chairs could see how this might best be achieved.

267. Another Board member, who had attended the Oslo meeting, commended the Government of Norway for not only hosting the meeting but also disclosing and doubling its IRM pledge. This was inspiring and set a very positive tone. It was important that this replenishment was ambitious, given the needs of developing countries (a pipeline of some USD 17–21 billion) and the absorptive capacity of the Secretariat of USD 3–5 billion per year. It was now hoped that other governments would follow the leads of the Norwegian and German Governments and double or increase further their contributions. The Board member noted that some developed countries appeared to be setting conditions on their potential level of contributions and hoped that the meeting would be sensitive in this regard so a successful replenishment could be achieved.

268. Another Board member commended colleagues who had represented the Board in Oslo as observers but wished to see the Board more actively involved in the replenishment process and made several further comments:

(a) A number of contributors in the IRM had not been contacted. This was a concern as all contributors and potential contributors from both developed and developing countries needed to be reached as part of the overall replenishment outreach strategy;

(b) The replenishment needed to be ambitious not only for mitigation but for support to developing countries from developed countries as a legal requirement under the UNFCCC and the Paris Agreement. The Board member wished to know if Mr. Linn had raised the legal and political commitment to provide sufficient resources for replenishment with developed country Parties; and

(c) It was understood that some contributors had raised a linkage between replenishment and GCF policies. This was a two-way linkage. The work of GCF was heavily dependent on the replenishment. It was hoped for pledges to be doubled or trebled.

269. A further Board member highlighted the importance of GCF in the enhanced climate regime under the Paris Agreement. GCF was a central and crucial element in allowing the Paris Agreement to be concluded as the main channel for part of the USD 100 billion pledge. GCF was considered the main player in climate finance. Existing GCF policies had enabled the Board to approve around USD 5 billion in projects in three years. At the same time, the Secretariat had the capacity to do more by handling around USD 4 billion annually (being the mid-figure between USD 3 and 5 billion). Therefore, the replenishment process should not lack clarity in terms of a potential target or be less ambitious than envisaged under the UNFCCC. There would be increased focus on ambition at the United Nations Climate Action Summit in terms of NDCs and support. They noted that conditional pledging would not be in accordance with the Paris Agreement. There needed to be a clear indication that the aim was to double the IRM as well as to facilitate access and rationalize policies. Facilitating access and rationalizing policies were highlighted by the Heads of African nations at the recent Abu Dhabi Climate Meeting. The Board member commended the Governments of Germany and Norway for doubling their pledges.

270. The Board member from Canada, Ms. Sue Szabo, said that the Government of Canada looked forward to hosting the second technical replenishment consultation, noting that this was one indication of Canada's commitment to climate finance. They hoped to match the high standard of Norway's organization and hospitality when hosting the consultation in Ottawa. Regarding visas, an agreement had been reached between GCF and Canada and visa letters would be sent out shortly, followed by further logistical information.

271. Board members thanked the Board member from Canada for the assurance on visas and proceeded to discuss what messages should be conveyed and by whom to Heads of State. Several Board members underlined the importance of creating a positive narrative and

expressed concern that there was undue focus on the negatives. There should be less emphasis on good governance and more on what GCF had delivered in a very short time. Governance and questions about policy development were at a level of minutiae that would not be understood by Heads of State. For them, the message should be about impact and effectiveness. One Board member noted from the presentation on the GCF performance review at the informal Board meeting, that GCF had delivered. The Board was functional and the institution effective. The focus should now be ensuring that the potential of a scaled-up GCF was clearly communicated.

272. A further Board member highlighted that it was now all about political levels and getting support in the right quarters to achieve significant movement. In this regard, the Canada meeting and the October final United Nations development system repositioning meeting were both important. However, the United Nations Climate Action Summit was crucial because it was at the level of Heads of State. The Board member said that GCF already had the support of the United Nations Secretary-General and the United Nations Deputy Secretary-General, Ms. Amina J. Mohammed. All of this was expressed at the recent Abu Dhabi Climate Meeting. It was essential that the Co-Chairs, the Secretariat and the Global Facilitator had a clear strategy for the Climate Action Summit and achieved significant action. The organizers wanted that too as it was an indicator of the success of the Climate Action Summit. GCF must also capitalize on the intense media coverage.

273. For another Board member, the negative messaging was unfair. It was unrealistic to position GCF effectiveness based around one issue of governance. Significant progress was being made on all fronts. The Board member hoped the Global Facilitator would convey that message. For another Board member, it was a question of who should convey this message to Heads of State.

274. The Co-Chairs invited Mr. Linn to make any further comments.

275. Mr. Linn said he was aware, together with the Co-Chairs, of the linkages between the various meetings and the sequencing of events during 2019. A successful conclusion to B.23 coupled with the achievements of the second consultation meeting would create the best platform to maximize support for GCF from Heads of State. Regarding how GCF was currently perceived in terms of quality and effectiveness, the report from the August meeting would be able to highlight the achievements to date and the potential of GCF, provided it was adequately supported and financed. It was important that further progress under the leadership of the Executive Director was made at B.23 to improve the functioning of GCF. This was a win–win for recipients. Not only did improving the capacity of GCF enable it to deliver more effectively, but it would also result in more money being available. The Board was crucial to this process.

276. A Board member thanked Mr. Linn for his comments and reflections and said that, speaking on behalf of the Asia–Pacific constituency, there appeared to be an implied conditionality about contributions. Developing countries were unequivocally opposed to conditional contributions.

277. The Co-Chairs invited the Executive Director to respond.

278. Mr. Glemarec said that the Secretariat fully shared the views on the importance of the United Nations Climate Action Summit. In view of the urgency of climate action, the aim was to encourage countries to dramatically scale up climate action. It would be a key political event in 2019. Because of this, the Secretariat had decided earlier in the year to outpost the Deputy Director of the Division of External Affairs to New York. Several meetings had already taken place this year, both with the United Nations Secretary-General and the United Nations Deputy Secretary-General. The Secretariat had also participated in recent pre-summit meetings, including in the Abu Dhabi Climate Meeting. Thanks to the Climate Finance and Carbon Pricing Track led by France, Jamaica and Qatar, a successful replenishment of GCF was one of the two key success outcomes of the Climate Action Summit. GCF was already fairly well positioned in terms of its replenishment being a key measure of success of the Climate Action Summit. The

Secretariat had also been working with the other eight tracks of the Climate Action Summit on other initiatives. This would enable GCF to showcase what could be transformational change and what could be the unique comparative advantage of GCF to achieve the Paris Agreement. Furthermore, the Secretariat was working on the possibility of launching a climate investment platform and other similar initiatives with GCF partner AEs. The Secretariat looked forward to further guidance and support from the Board.

279. The Board member expressed support for the current Global Facilitator to take a more active part in GCF outreach efforts, if the contract allowed for that.

280. While recognizing that the Executive Director was already engaged with the Climate Action Summit, another Board member said that, having listened to Mr. Glemarec and the Global Facilitator, they were not convinced that the message was clear enough. For example, Heads of State in Africa had not grasped the importance of GCF. They did not understand why the continent needed GCF and they needed to be made aware of this before heading to New York City. The question was, who should convey this message to the Heads of State?

281. Another Board member said that while GCF had played a significant role since its birth, it had not lived up to the expectations of the international community in providing sufficient support. All resources pledged and available to GCF represented less than 1 per cent of the needs of developing countries. The first replenishment of GCF needed to take a big step towards bridging this gap.

282. The Executive Director reminded the Board that the Secretariat had developed a major outreach strategy, which included the Climate Action Summit as one of its main objectives as well as briefings with Heads of State and the development of outreach materials. Mr. Glemarec proposed that a side meeting could be held to discuss this further with the Deputy Director of External Affairs.

283. The Co-Chairs thanked Mr. Linn, the Executive Director, Board members representing the Board in the replenishment process, and other Board members for the rich discussion.

284. The agenda sub-item was closed.

285. No decision was taken under this agenda sub-item.

(b) Period of the first replenishment

286. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.23/03 titled “Period of the first replenishment of the GCF”. They invited a representative of the Secretariat to introduce the document.

287. The representative introduced the draft decision on the first replenishment period stating that it was proposed that the period be for four years from 1 January 2020 to 31 December 2023. There had been strong support for four years from the potential contributors at the first consultation meeting in Oslo, for predictability and sound financial management reasons. It was proposed that this would be the basis for discussion at the second consultation meeting at the end of August 2019.

288. A Board member stated that, while supporting the draft decision, their preference was for a trigger, given that the outcome of the replenishment process was unknown. However, as the proposal was for a fixed period rather than a trigger, it was essential that political leaders ensured a very strong replenishment, otherwise this decision would send a negative political message.

289. The Co-Chairs thanked the Board member for their intervention, which articulated the calculation that was, no doubt, on the minds of several Board members. However, it had been felt that there needed to be a period against which contributor countries could plan.

290. With that point noted, the Co-Chairs asked if the Board could adopt the draft decision.

291. Seeing no objections, the draft decision was adopted.

292. The Board took note of document GCF/B.23/03 titled "Period of the first replenishment of the GCF".

293. The Board adopted the following decision:

DECISION B.23/07

The Board, having considered document GCF/B.23/03 titled "Period of the first replenishment of the GCF":

(a) Decides that the first replenishment of the GCF would secure financing for a four-year programming period from 1 January 2020 to 31 December 2023; and

(b) Requests the Secretariat to incorporate the four-year replenishment period in the update to the policies for contributions for the first replenishment of the GCF.

(c) Update to the policies for contributions, standard provisions and template contributions agreement for the first replenishment period of the GCF

294. This agenda sub-item was not opened.

(d) Strategic programming document outlining scenarios for the GCF replenishment

295. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.23/Inf.09 titled "Strategic Programming for the Green Climate Fund First Replenishment". They reminded the Board that the document had undergone several iterations. The Secretariat was presenting the current version to the Board to receive further input ahead of the second replenishment consultation meeting in August. The Co-Chairs invited a representative of the Secretariat to introduce the document.

296. The representative explained that the document had been updated based on Board feedback to reflect a more ambitious impact scenario and capture the comparative advantage of GCF in effecting a paradigm shift. The pursuit of impact scenario was underpinned by a theory of change, which was aligned with the goals of the UNFCCC and the Paris Agreement, and organized around four outcomes: 1) transformational planning and programming, 2) catalysing climate innovation, 3) mobilization of investments at scale, and 4) expansion and replication of knowledge. The paper also outlined seven programming principles, two of which had been added to the new version: supporting those particularly vulnerable to the adverse effects of climate change and leveraging knowledge and partnerships for climate impact. A series of operational improvements had also been proposed in response to Board guidance and the findings of the FPR.

297. The Co-Chairs thanked the representative for their introductory remarks. They opened the floor for comments.

Broad support for the strategic programming document

298. The document received the broad support of Board members. The Secretariat was praised for its hard work on producing a clear and comprehensive document, which had been

much improved, and which reflected the input of the Board and the outcomes of the first replenishment meeting. Many Board members voiced their approval of the scenario presented. One Board member appreciated the clear reference to the GCF mandate under the UNFCCC, the Paris Agreement and its support for the implementation of NDCs. Another Board member highlighted a clear call in the document to close existing policy gaps. Two Board members said that the paper sent a strong message on the urgency of GCF interventions but asked the Secretariat to highlight the focus on impact and paradigm shift more clearly at the beginning of the document since this formed the basis of the strategic decisions to be made. They added that the paper contained all the main issues that needed addressing in the first replenishment period.

Alignment with the Forward-Looking Performance Review

299. A Board member noted that the document reflected the findings of the FPR. Several other Board members thought that the paper should more clearly align with and build on the recommendations of the review. One of these Board members underlined the importance of learning from the current portfolio and other best practices. Another requested clarification on the sequencing of the Board's consideration of the B.23 agenda, noting that the Co-Chairs had not yet opened agenda item 11 on the FPR at the formal Board meeting. They called for the management response to the review to clearly link to the strategic programming document. A further Board member said that the paper should also align with the private sector strategy. Several Board members asked for the document to address the FPR finding that GCF was characterized by a compliance-driven culture with little room for risk-taking. One of these said that a risk-taking approach should be balanced with the fiduciary responsibilities of GCF. Another also asked for the paper to address the FPR recommendation to focus more on enhancing direct access.

300. Regarding the sequence of agenda items, the Co-Chairs said they believed that the discussion of the FPR at the informal meeting on the eve of the Board meeting had provided sufficient context for consideration of the current item.

Theory of change and impact scenarios

301. The theory of change concept was welcomed by a number of Board members. One of these said that it served as a GCF mission statement. Another underlined that the concept distinguished GCF from other funding sources because it highlighted the catalytic potential of GCF. A further Board member called on the Secretariat to build on the theory and to translate it into a results framework and a set of strategic choices for funding proposals in line with the paradigm shift goal. Several Board members underlined their support for the theory of change as a framing device, along with the outcomes, principles and programming scenarios. One of these Board members was pleased to see that the pursuit of impact scenario had been further developed, given that a business-as-usual approach was inadequate. They highlighted the need, however, to strike a balance between achieving impact and promoting innovation. Another called for continued engagement with a high ambition upper frontier scenario.

302. One Board member expressed their disagreement with the storyline told in the document, which appeared to speak primarily to the concerns of developed countries. In their view, the theory of change and pursuit of impact concepts would endanger the identity and objective of GCF. The organization should instead focus on perfecting current practices under the "continuing business" scenario. Furthermore, the table on page six appeared to shift the focus from adaptation to mitigation and from grant-based finance to other financial instruments. The Board member stressed that global emissions targets were primarily the responsibility of developed countries.

Programming principles

303. Several Board members voiced their support for the first programming principle, which aimed to keep countries at the centre of GCF work. One Board member highlighted that a country-driven approach should help to identify policies and funding proposals that were in line with NDCs and national adaptation plans. Another Board member said that country programmes were a useful tool in specifying country needs, but they underscored that GCF was not the only source of financing and requests for resources should be in line with GCF goals.

304. A further Board member stated that the strategic programming document was not based on the financial, technological and capacity-building needs of developing countries; the scenarios should be based on this kind of assessment. One Board member requested that the first principle also include the aim of strengthening national entities. Another Board member said the bottom-up, country-driven approach should be balanced with a top-down perspective that took in the scale of the climate challenge at the global level.

305. Two Board members welcomed the intention outlined under the first principle to improve equity and predictability in resource allocation. While one supported the development of country allocations and thresholds in this regard, the other was not ready to move in this direction. Another Board member welcomed the proposal to replicate the best climate solutions across various geographies.

306. With a view to creating an enabling environment for climate action, one Board member wished to see the Readiness Programme and the Project Preparation Facility used more strategically than they had been to date. In this regard, they were interested in the suite of proposals put forward under principle 2 on institutional transformation. Another Board member also expressed support for these proposals but said that the introduction of an upfront four-year funding allocation for readiness support should only be considered once the GCF financing strategy had been set.

307. Regarding the suggestion under the fourth principle to develop new strategic requests for proposals, one Board member said these should not be launched until the accreditation and project approval processes had been reformed.

308. Two Board members asked the Secretariat to reframe principle 7 on leveraging knowledge and partnerships to focus more broadly on mobilizing and shifting wider finance flows. They outlined a vision of GCF as a centre of excellence for climate finance and a strategic knowledge hub. This would help to realize the added value of GCF in defining the climate finance landscape and operationalize the mandate under the Governing Instrument to catalyse additional public and private finance at the national and international levels.

Results areas

309. A Board member welcomed the clustering of the eight results areas into just four. Two Board members appreciated the focus on underrepresented sectors, one of them highlighting the need to step up GCF activities in areas such as transport, energy efficiency, water security, agriculture, and health and well-being. Two other Board members requested that the energy and industry results area, as presented in the diagram on page two of the document, also mention energy efficiency. Regarding the reference to the human right to water and sanitation on page 27, a further Board member called for a common understanding of these concepts. They also requested that the paper develop scenarios for operationalizing the GCF mandate to provide resources for technology transfer, in line with the Governing Instrument.

Oceans, biodiversity and ozone layer protection

310. Several Board members called for the document to look more closely at how and whether GCF could play a role in oceans. They underscored the timeliness of such an analysis in view of the 2019 "Blue COP" in Chile as well as an upcoming report by the Intergovernmental Panel on Climate Change on "The Ocean and Cryosphere in a Changing Climate". Several Board members also called for increased consideration of the linkages between climate and biodiversity. One Board member requested that the document explore the connections between climate action and ozone layer protection; activities under the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer could also be funded by GCF.

Financial instruments

311. The proposal to diversify the use of financial instruments by GCF was supported by several Board members. One of these said that guarantees were underutilized and needed further analysis to tap their potential. Underscoring that GCF was a fund and not a bank, another Board member called for increased clarity on how the instruments would be deployed to ensure that they would not add to existing developing country debt.

Mobilizing finance

312. Two Board members asked what measures GCF would use to realize the opportunity presented in the paper to mobilize wider finance flows. Other Board members urged caution regarding the goal suggested on page six to increase mobilized investment to a ratio of at least 1:7. One of these Board members said that targets should be aspirational rather than fixed, especially in relation to adaptation in the LDCs, where a 1:7 target would be too high. Another highlighted the tension between driving innovation and ensuring high mobilization. A further Board member said that country-driven transformation should be about more than just catalytic investment. One Board member underscored that GCF funding should be additional to finance from the private sector and other sources; it needed to ensure its resources were channelled to where they were most needed.

Co-financing and the use of terminology

313. A Board member noted with regret that the term "co-financing" had been used several times in the document. The proposal on pages 51 and 52 to increase the co-financing ratio as part of the pursuit of an "upper frontier" scenario should not be taken as a requirement for individual projects but as a broad aim at portfolio level. Entities in smaller countries would not be able to comply with such a target, and their access to GCF funding would be limited in a similar manner to other funds. The Board member requested the Secretariat to clarify the relevant passages in order to avoid any such interpretation. They also stated that the Secretariat should not attempt to reintroduce concepts and policies that the Board had not approved in the past as this wasted time. Similarly, the Secretariat should also avoid introducing new terms in the annexes to Board documents, given that Board members did not have sufficient time to read documents in their entirety. Another Board member said that the term "climate action" should only be used in relation to mitigation and adaptation in accordance with the UNFCCC and the Paris Agreement.

Adaptation focus

314. The emphasis on adaptation in the strategic programming document was welcomed by several Board members. One Board member supported the reassertion of the 50:50 balance between mitigation and adaptation but said that they did not wish to see the introduction of further targets since this would place undue restrictions on GCF work. Another Board member

stressed that GCF should not shift its focus towards mitigation. A further Board member called for clearer information on how the 50:50 balance would be calculated and maintained in cross-cutting projects, especially under the "pursuit of impact" scenario. One Board member welcomed the proposal to increase the share of funding for adaptation beyond current floor levels, especially for the most vulnerable countries. Another asked when a specific target figure for this increase would be defined. A further Board member disagreed with the suggestion to increase the proportion of funding for adaptation channelled through the private sector. Climate change adaptation was not an area that would attract private sector investment as it could not deliver returns. Therefore, GCF should concentrate on public-sector finance in the form of grants. The Board member also saw the increasing incidence of droughts, sandstorms and dust storms as a key adaptation challenge that should be reflected in the paper.

Direct access

315. Efforts to increase direct access were supported by several Board members. While one Board member called for a clearer target regarding this increase, another urged the Secretariat to explore other ways to achieve this increase beyond the setting of thresholds. A further Board member underlined the importance of direct access more broadly in terms of building country capacities to propose and prepare projects.

Operational commitments

316. The section on operational commitments from page 38 received a number of comments. Several Board members praised the treatment of the operational implications of the strategic scenario presented. One said that they appreciated the Secretariat's outlining of the direction of organizational and process reform. Another wished to see more information on how operations would be streamlined and how the Secretariat could engage more closely with existing AEs to speed up delivery. They also called for more legal support to expedite the signing of AMAs and FAAs.

317. A Board member said that the strategic programming document should concentrate on the rapid and transparent processing of funding proposals. Another Board member said that the current pipeline should be reviewed in light of the strategic programming document. In the view of one Board member, the estimated projections on page 41 for the number of funding proposals that GCF could process annually placed too much focus on quantity over quality.

Regional presence

318. Two Board members expressed reservations regarding the proposal to evolve a targeted regional presence for GCF. They did not think it was the appropriate time for GCF to set up decentralized offices.

Comments by active observers

319. An active observer for PSOs commended the Secretariat on its straightforward presentation of several areas of GCF work that required reform in the view of the business community: the accreditation process, policy gaps, Board decision-making and delegation, and catalysing private sector engagement.

320. An active observer for CSOs welcomed the improvements to the document but called for further clarifications and changes. They said that the assessment of developing country finance needs and the calculation of NDCs was, in many cases, not compatible with the goal of limiting temperature increase to 1.5 °C above pre-industrial levels under the Paris Agreement. Given that the aim of the strategic programming document was to move towards the "upper frontier" scenario in alignment with the Paris Agreement, future iterations of the document should

include an analysis of how to achieve a pathway towards limiting temperature increase to 1.5 °C above pre-industrial levels. The observer further called for the removal of the proposal to increase the share of private sector investment in adaptation because this would not serve the most vulnerable people. They also said that the 30 per cent target for direct access should apply to the volume of funding rather than the number of projects.

Secretariat responses

321. The Co-Chairs thanked the Board members and observers for their comments. They invited a representative of the Secretariat to respond.

322. Regarding the paper's engagement with the recommendations of the FPR, the representative acknowledged that the review and process of producing the strategic programming document had been conducted in parallel. Nevertheless, there were a number of areas of alignment, including adaptation, mobilization, direct and simplified access, financial instruments and accelerated delivery. The IEU had shared the review findings with the team preparing the document in advance of finalization of the FPR.

323. In response to the comment that the paper appeared to shift the focus away from grant-based finance, the representative provided assurance that the columns in the table on page six listing current settings and priority actions were intended to build on one another. The proposal was therefore to continue providing grants while simultaneously seeking to diversify the use of instruments. The representative also stressed that the scenarios had been based on developing country needs as expressed in the form of NDCs and through GCF country programmes. The current paper did not highlight this aspect as it had been outlined in the previous version of document presented at B.22. On terminology, the proposal to increase the co-financing ratio as part of the "upper frontier" scenario was not intended to apply to the project level but to illustrate the potential for bringing in other sources of finance in enhancing the impact of GCF.

324. Turning to mobilization targets, the representative underlined that the document merely presented scenarios that GCF could pursue to enhance its impact. This also applied to other proposed targets on direct access, adaptation and the private sector. The paper was intended to inform discussions during the replenishment process as well as the reflections of the Board in the development of the Strategic Plan. It was not being presented for adoption.

325. Regarding cross-cutting projects, the proposal was to pursue integrated planning of mitigation and adaptation activities, which was also in line with the latest science. However, even in cross-cutting projects, it was possible to disaggregate the two areas for the purposes of reporting.

326. The Co-Chairs thanked the representative for their responses and the Secretariat for its work on the document.

Further discussion

327. The Board member who had expressed their disagreement with the narrative of the document asked when it would be presented for adoption by the Board.

328. The Co-Chairs recalled that the Board had mandated the Secretariat to prepare the strategic programming document through decision B.21/18. It served to provide the replenishment group with input from the Board and would be used to incentivize contributions.

329. The Executive Director added that the paper would be summarized and integrated into the replenishment report, which would be submitted to the Board at the close of the replenishment process. The document would also feed into the Strategic Plan.

330. The Board member underlined the need to revise the document in light of the comments made, especially regarding the adjustment of the focus towards preserving the current identity

and objective of GCF. It was important that the document did not pursue a direction that the Board was unable to adopt.

331. The Co-Chairs stressed the need to provide the replenishment group with guidance while recognizing that it was independent of the Board. Ultimately, the Board would decide on the Strategic Plan and the disbursement of funds resulting from the replenishment. The Co-Chairs proposed suspending the item to allow more time for its consideration on the margins of the meeting.

332. The item was not reopened at the meeting.

333. The Board took note of document GCF/B.23/Inf.09 titled "Strategic Programming for the Green Climate Fund First Replenishment".

334. No decision was taken under this agenda sub-item.

Agenda item 13: Policy on ethics and conflicts of interest for active observers

335. The Co-Chairs opened the item and drew the attention of the Board to document GCF/B.23/11 titled "Policy on ethics and conflicts of interest for active observers of the Green Climate Fund". They noted that the document incorporated comments received during the B.23 consultation period and invited Board members to adopt the policy.

336. In the ensuing discussion, several Board members expressed support for the policy, noting that active observers played a key role in GCF and that their work was most valuable. They enriched the Board's discussions and ensured a firm link with the outside world. They also held the Board to account. One Board member observed that they encouraged the engagement of active observers even though they might not always agree with their interventions. In considering the policy, it was important that it did not have unintended consequences, which might restrict their full engagement. Another stated it was important to recall the difference between this policy and the policies on ethics and conflicts of interest that applied to other groups. At the same time, the Board needed to ensure that whatever was adopted by the Board was implementable. This was echoed by another member.

337. One Board member stated a willingness for the policy to be adopted by the Board as presented. The matter had been considered for a long period of time and needed to be resolved quickly. The member said that, while active observers were free to comment on the policy, it was not appropriate to engage in extensive consultations with them as they would be subject to it. This had not been the case with the development of policies for ethics and conflicts of interest for Board members, alternate members, advisers or for Board-appointed officials. The Board should adhere to previous practice in this regard in not seeking the views of those to whom such policies would apply.

338. Several Board members requested further small amendments to the policy. These related to sections in annex II to document GCF/B.23/11, including the funding of active observers, specifically in relation to the definition of gifts, participation in meetings, conflicts of interest, transparency and disclosure of information, and a cooling-off period in terms of employment by the Secretariat.

Definition of gifts

339. One Board member requested that paragraph 5(j) be amended to "gifts do not include funding received during the normal course of operations of active observers' organizations and disclosed in accordance with the Policy". Two other Board members echoed this, noting that this reflected the way in which civil society active observers were funded. It was important to

exclude training, travel and tickets, otherwise their involvement would be severely impeded. Another Board member underlined that it was important not to deprive active observers of support enjoyed from philanthropic institutions but that these should be disclosed to ensure there was no conflict of interest. This was echoed by a further Board member. Underlining the importance of disclosure, another Board member stated that the same principle that applied to Board members should apply to active observers, namely Board members disclosed their constituency affiliations and the same should apply to active observers.

Participation in meetings

340. A Board member expressed concern that active observers were able to be critical of entities applying for accreditation using the power of webcasting. This could disadvantage those entities that had no opportunity to reply. It was also important that active observers made their comments in the abstract without expressing judgements about governments of the countries in which the AE was operating; the role of GCF was to finance climate action. It was important that active observers exercised discretion in their interventions in the same way as Board members; as such, the policy was of considerable importance. Another Board member wondered if this might be something where the Co-Chairs could exercise some authority in such cases? It was essential that active observers could be critical of the work of GCF, which was very important. However, there was also a fine line in crossing over to issues not directly relevant to the matter at hand.

341. A Board member requested an amendment to paragraph 9(a) based on the suggested text sent to the Secretariat but which had not found its way into the current document, namely: "Covered Individuals shall in good faith seek not to act in a manner that undermines the objectives and guiding principles of the Fund". This was intended to ensure that active observers were not restricted from providing their views. The importance of ensuring that restrictions were not placed on active observers who wish to provide their views was echoed by other Board members.

Conflicts of interest

342. A Board member referenced paragraph 17, which stated: "It is acknowledged, however, that Covered Individuals are serving in a representative capacity of the broad group of civil society or private sector organizations, as the case may be, which themselves may have inherent interests in the outcome of issues before the Board". While this was true, further text should be added to ensure that covered individuals would make every effort to inform the organizations they represented of the policy so that they were not put in potential conflict-of-interest situations.

Transparency and disclosure of information

343. A Board member requested that confidential information be included in the list of definitions as a new paragraph 5(e) as follows: "Confidential Information is information that is marked as proprietary and/or confidential and excludes information already known from separate sources or in the public domain".

Employment by the Secretariat

344. A Board member wished to know why a cooling-off period of 18 months had been reduced to 6 months; for Board members and advisers it was 18 months.

345. The General Counsel informed the Board that the Secretariat had originally proposed 18 months, but a Board member had a different view. Retaining the time period as 18 months ensured it was consistent with the policies covering other groups.

346. The Board member asked for clarification as to the reasoning by the member who had requested six months.

347. The Co-Chairs advised the Board that the item be suspended for further consultations on the detailed requests and so that this latter point could be picked up during this process.

348. The agenda item was suspended.

349. On reopening the agenda item on the final day of the meeting, the Co-Chairs informed the Board that an agreed text was now ready for Board approval. They invited the General Counsel to provide an update on the amendments made to the hard copy circulated to Board members.

350. The General Counsel walked the Board through the changes to the following:

(a) In section II amendments had been made in relation to the definition of confidential information in paragraph (e) and gifts in paragraph (k);

(b) In section III, paragraph 9(a) and section IV, paragraph 10 an amendment was made regarding the neutrality of active observer interventions in meetings;

(c) Section VI, paragraph 17 had been amended to require active observers to make every effort to inform accredited observer organizations and the broader group of civil society or private sector organizations they represented of this policy;

(d) Section X, paragraph 33 had been amended to require the disclosure of funding by the covered individual to the Ethics and Audit Committee; and

(e) Section XI, paragraph 34 had been amended from 6 months to 18 months.

351. The Co-Chairs thanked the General Counsel and invited the Board to adopt the draft decision.

352. A Board member asked for clarification from the General Counsel on two points: (i) whether there anything in the amendments proposed that would in any way limit funding support to active observers, including tickets and “in kind” support, which would restrict their ability to participate; and (ii) could the text in paragraph 17 be amended to read “shall inform” instead of “every effort”.

353. The General Counsel confirmed that, in relation to the first question, the intention was that that support would be covered by the policy. Regarding the second, this would be amended to make it a positive obligation.

354. The Co-Chairs asked if the Board could adopt the draft decision with these amendments.

355. Seeing no further comments or objections and with these amendments, the draft decision was adopted.

356. The Board took note of document GCF/B.23/11 titled “Policy on ethics and conflicts of interest for active observers of the Green Climate Fund”.

357. The Board adopted the following decision:

DECISION B.23/08

The Board, having considered document GCF/B.23/11 titled “Policy on ethics and conflicts of interest for active observers of the Green Climate Fund”:

(a) Adopts the Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund as set out in annex V to this document;

(b) *<u>Also decides</u> to amend section III, paragraph 6 of the Policy on Prohibited Practices, adopted by the Board pursuant to decision B.22/19, paragraph (a), to include the definition of "Active Observers" as follows:*

> *"Active Observers" has the meaning given to that term in the Rules of Procedure of the Board;*

(c) *<u>Further decides</u> to amend the definition of "Covered Individual" in section III, paragraph 6(f) of the Policy on Prohibited Practices, adopted by the Board pursuant to decision B.22/19, paragraph (a), and replace it with the following:*

> *"Covered Individual" means GCF Personnel, Co-Chairs of the Board, Board and Alternate Members, their Advisers, Board- Appointed Officials, External Members and Active Observers; and*

(d) *<u>Requests</u> the Secretariat to publish a consolidated version of the Policy on Prohibited Practices taking into account the amendments referred to in paragraphs (b) and (c) above.*

Agenda item 14: Updated Gender Policy and Action Plan

358. The Co-Chairs opened the agenda item and reminded the Board that at B.22 the Board, having considered document GCF/B.22/06 titled "Updated Gender policy and action plan 2019–2021", decided to continue the consideration of the document with a view to it being presented for the consideration and approval of the Board at this meeting. Two Board members (Ms. Szabo and Mr. Aboul-Magd) had been asked to undertake inclusive consultations on this matter to move it forward. The Co-Chairs expressed sincere thanks for this work and invited the two members to provide an update.

359. Ms. Szabo informed the Board that they had formed a working group and expressed appreciation for the contributions made by a number of Board members. The aim was for the Board to adopt a progressive policy without adding further barriers to partners. Good progress had been made on overcoming the various issues and a set of principles had been agreed to guide the work on the policy, which included: 1) facilitating access to GCF resources; 2) the need for fair and transparent treatment; 3) building capacity; and 4) streamlining and simplifying requirements. The remaining outstanding issues included an assessment of the costs and benefits of implementing the gender policy (both direct costs and opportunity costs). The proposal was for the Board to take a procedural decision to request the Secretariat to undertake this assessment. This could be supported by a broader group of Board members who had shown interest in the resolution of the matter with a view to presenting a revised proposal for an updated Gender Policy and Action Plan at B.24.

360. Mr. Aboul-Magd expressed full endorsement of the principles and thanked both teams for their hard work; significant progress had been made on what was a challenging policy. Mr. Aboul-Magd affirmed a willingness to continue to support the work going forward.

361. The Co-Chairs thanked the Board members, noting that they had fulfilled their mandate and that it was now for the Secretariat to take the matter forward.

362. A Board member thanked both members for their hard work and expressed support for a strong Gender Policy and Action Plan. They looked forward to the cost–benefit analysis of the implementation of the gender policy framework, including any risks of not doing so.

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

364. There being no further comments and no objections, it was so adopted.

365. The Board adopted the following decision:

DECISION B.23/09

The Board:

(a) Takes note of the oral report made by the two Board members entrusted by the Co-Chairs with facilitating the discussions on the updated Gender Policy;

(b) Welcomes the progress made in the consultations on the document;

(c) Requests the Secretariat to present an assessment of implementation considerations, including direct costs and benefits associated with the implementation of the Gender Policy, as well as an assessment of the capacity within the Secretariat, direct access entities and other accredited entities, and national designated authorities/focal points to implement such Policy; and

(d) Also requests the Secretariat to present for consideration of the Board at its twenty-fourth meeting a revised updated Gender Policy and an updated Gender Action Plan, building on the progress made in the consultations on the draft document so far and the assessment of the Secretariat on the implementation considerations, with a view to circulate it to Board members and alternate members with sufficient time for consultations to occur between Board members and alternate members prior to its finalization and publication in accordance with paragraph 21 of the Rules of Procedure of the Board.

Agenda item 15: Updated accreditation framework

366. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/05 titled “Updated accreditation framework”.

367. They invited the Chair of the Accreditation Committee, Mr. Richard Muyungi, to introduce the document.

368. Mr. Muyungi explained that the framework had been developed by the Accreditation Committee, with the support of the Secretariat and in consultation with Board and alternate members, AEs, and national designated authorities and focal points, in accordance with decision B.22/16, paragraph (d). The document comprised two approaches: the existing institutional framework and a new project-specific accreditation approach (PSAA), which was to be launched on a pilot basis. Regarding the institutional framework, improvements included greater linkages to country programming and climate change needs, clarification of size categories for programmes, streamlining the accreditation process to reduce duplications of reviews, and commissioning external consultants to conduct stage II of the review under the guidance of the Accreditation Panel. Under the updated framework, entities would be considered fully accredited, and their five-year accreditation term would begin, upon AMA effectiveness at Stage III in the process, rather than at Stage II (Board decision-making on accreditation) as is current practice. The new framework also set out the reaccreditation process, which was needed so that the Secretariat and Accreditation Panel could begin reaccrediting the first batch of AEs from 2015, whose terms were due to expire in 2020. The PSAA allowed GCF to target specific projects and programmes. It excluded projects with high environmental and social risk and impact levels (category A/intermediation 1) and focused on non-AEs. Items not incorporated in the update owing to a lack of consensus within the Accreditation Committee included: a review of the current AE portfolio, recommendations on the optimal mix of AEs, extending beyond B.23 the prioritization of applications established by decision B.21/16, paragraph (e), and PSAA eligibility for AEs that submitted funding proposals outside their current accreditation scope.

369. Several Board members thanked the Accreditation Committee for its hard work and noted that the document had been improved through consultations. Many highlighted the importance of improving accreditation in order to shift entities from the pipeline and into

project preparation and implementation. However, there was a divergence of views on whether to adopt the draft decision as presented.

370. A number of Board members expressing support for adoption highlighted the long timelines in the current accreditation process. One Board member also drew attention to the costs incurred by such a lengthy procedure. Two Board members said that the Secretariat would be held back in its efforts to accelerate accreditation if the current draft decision was not adopted. One Board member said that the updated procedures built on the outcomes of the framework review. Another underlined that the revision of the framework was a key recommendation of the FPR. A further Board member stressed that the accreditation strategy requested in the draft decision should provide GCF with more certainty on the growth and expected size of the pool of AEs.

371. Several Board members voiced their regret that certain issues had not been integrated in the updated framework owing to differing views within the Accreditation Committee. One called for more work to clarify these issues. A number of Board members wished to see the prioritization of certain entities, such as DAEs, private sector organizations and entities requesting upgrades in their accreditation profile, extended further beyond the expiration of B.23. One of these Board members underlined that this would help the Secretariat and Accreditation Panel to increase support for the most vulnerable countries. Another Board member said that they had understood the use of prioritization criteria to be a temporary measure. They believed it contradicted the principles of fairness and was not in the interests of GCF. The Board member agreed to extend the prioritization decision to B.24, but not beyond, as a part of the draft decision text.

372. Regarding the review of the current portfolio of AEs, a Board member clarified that the Committee had not included this in the draft decision because there had been uncertainty as to whether or not the IEU should conduct the review. The Board member had since learned that this did indeed fall within the unit's mandate; they therefore asked that the draft decision include a request for a review. This had been recommended in the FPR and was an essential part of developing the accreditation strategy and assessing whether current entities adequately addressed the GCF mandate. Two further Board members supported this proposal.

373. Several Board members did not support the decision in its current form. One said that the fact that the Accreditation Committee itself had not reached agreement on several issues demonstrated the need for further consultations. More work was required in calculating the costs of the new approaches proposed, and the budget needed to be approved by the Accreditation Committee and the Budget Committee. In addition, it was unclear how the updated framework would enhance opportunities for DAEs. A further Board member said that the establishment of a baseline for greenhouse gas emissions for the operational portfolio of AEs would put DAEs at a disadvantage. It entailed a commitment against which they would be measured that was not provided for by the UNFCCC or the Paris Agreement; developing countries had the right to invest in activities that boosted their development, including those that resulted in emissions. The Board member did not therefore accept the introduction of such a baseline since it would prohibit certain DAEs from accessing GCF resources.

374. A Board member highlighted that the draft decision did not refer to the emissions baseline of AEs. Such a baseline had already been decided upon by the Board and, barring a contrary decision by the Board, would continue to be used in the ongoing work of GCF.[4]

375. The Board member who had voiced their disapproval of an emissions baseline clarified that they supported the use of baselines at the project level but not in relation to the overall portfolio of AEs from developing countries. They underlined that they firmly supported the enhancement of the framework, especially given the need to accredit more DAEs and in view of

[4] The Board requested the Accreditation Panel to establish a baseline on the overall portfolio of AEs in decision B.12/30, paragraphs (c) and (d).

the fact that, under the current process, entities had been declined for reasons that were not based on GCF policies.

376. Underscoring that the proposed update aimed to increase the share of GCF funding to DAEs, which was currently at 50 per cent, a Board member expressed their surprise that the Board was not ready to adopt the draft decision. Another Board member emphasized that the current framework was particularly cumbersome for DAEs. They appealed to the Board to shift its focus from quality to efficiency in improving the accreditation process. The PSAA was a welcome step in this direction. The proposed approach was not yet ambitious enough as it only applied to a small number of areas, but it represented a compromise and could be improved and broadened in the future.

377. Several other Board members also voiced their support for the PSAA. One stressed that it would help GCF to unlock the potential of the private sector. This had proven challenging in the mobilizing funds at scale (MFS) RFP, where the first project proposal had taken two years to reach approval. Another Board member was optimistic that the PSAA would address barriers for DAEs and the private sector and called on the Secretariat to only advance proposals from entities that had a high capacity to implement projects under the PSAA. Noting the divergence of views expressed in the discussion, a further Board member proposed removing paragraphs (a) to (g) and adopting the draft decision from paragraph (h) onwards, which related to the PSAA. While they supported the draft decision as a whole, they believed it was especially important to proceed with the implementation of the PSAA pilot to promote direct access and help entities responding to RFPs.

378. A Board member said that they supported the approval of the updated accreditation framework as presented but had suggestions for improvements: the Secretariat should prepare an updated procedures manual to guide the Secretariat and the Accreditation Panel in applying the new framework; the size, composition and skill set of the Accreditation Panel should be evaluated in view of the proposal that it supervise consultants and firms conducting assessments of accreditation applications; and a set period for the PSAA pilot should be determined, at the end of which its outcomes would be presented to the Board.

379. A Board member, who had already expressed their opposition to the draft decision in its current form, underlined that it currently took longer for entities from the LDCs, SIDS and African States to achieve accreditation as a result of capacity constraints. While the PSAA was a good initiative, it did not provide a guarantee that national DAEs would have enhanced access to resources. This was especially important given the low proportion of funding flowing through DAEs in the current GCF portfolio.

380. Another Board member requested clarification on whether a cost–benefit analysis of the PSAA pilot had been carried out. The approach would not be cost-effective if it took several years for an entity to be accredited given that they would only deliver one project upon accreditation. The Board member added that they had submitted several comments in advance of the meeting but that these had not been incorporated into the document. They called for the introduction of an online system so that stakeholders would be able to track the progress of accreditation proposals through the pipeline.

381. An active observer for PSOs expressed support for the concept of project-specific accreditation because it permitted a broader range of private sector entities to be accredited. Assuming that it would lead to a simplification of the accreditation process, it would give entities the opportunity to experience the value of working with GCF before investing more resources and time in applying for full accreditation. For entities choosing to do this, the due diligence completed as part of the PSAA approval and their track record on implementation should be considered during the fully fledged accreditation process. The observer said that GCF should take a more flexible approach in the PSAA: only allowing one project per entity might deter potential partners given the time and resources expended in the approval of one project.

In addition, the capacity checking process outlined from page 33 onwards was still onerous; in line with the principle of country ownership, they urged GCF to take into account the existing scrutiny of financial institutions by local regulators and rating agencies.

382. An active observer for CSOs noted with regret that the draft decision did not renew the previous Board decision to prioritize certain types of entities for accreditation. They voiced concerns on the proposed PSAA in view of the benefits of full accreditation in promoting GCF objectives, ensuring compliance with environmental and social safeguards and incentivizing institutions to adjust their business practices. It should not open an avenue for sidestepping accreditation. They suggested limiting the PSAA to DAEs and micro-size projects for the duration of the pilot phase. In addition, projects approved through the MFS pilot were not appropriate for either the PSAA or the Project Preparation Facility given that the pilot was expected to entail high-risk levels. The funding envelope for the PSAA should be limited and the approach should not divert Secretariat resources away from managing the existing pipeline for institutional accreditation. The observer welcomed the restriction of PSAA access to one project per entity but asked how it would be ensured that subsidiaries of entities that had already participated in the approach were prevented from accessing the modality.

383. The Co-Chairs thanked Board members and observers for the rich discussion. Noting the proposal of one Board member to amend the draft decision by removing paragraphs (a) to (g) and limiting the decision to address the PSAA, they invited the Board to approve the draft decision as amended. The first part of the draft decision would then be deferred to B.24.

384. The Board member who had called for the costs of the new approaches to be calculated expressed serious concerns regarding the inclusion of paragraph (k) relating to the approval of the budget. Underlining that paragraphs (c), (e) and (f) were important elements in improving the effectiveness of the accreditation process, another Board member proposed further consultations. They further requested clarification from the Secretariat regarding the importance of paragraphs (a), (b) and (d).

385. A representative of the Secretariat reminded the Board that the updated framework contained a reaccreditation process. It was important that this process begin in 2019, given that the term of the 20 entities accredited in 2015 was due to expire in 2020. One way of addressing this issue would be to extract the passage relating to the start date of accreditation in paragraphs 56 and 126 of the updated framework and place it in the decision. According to this passage, the five-year term of accreditation would be deemed to have begun from the date of effectiveness of the AMA. This would mean that the reaccreditation process for the first entities accredited by GCF, whose AMAs became effective in 2016 or 2017, would not have to start until 2020 or 2021.

386. The Co-Chairs requested the Secretariat to consult with Board members on the margins of the meeting to address their concerns and provide a revised draft decision.

387. The item was suspended.

388. The Co-Chairs reopened the agenda item later in the evening of the third day of the meeting. They underlined that a decision on reaccreditation was essential to maintain GCF operations. They informed Board members that an amended draft decision had been circulated and invited a representative of the Secretariat to introduce the revised decision, which now contained one paragraph.

389. The representative explained that the revised draft decision redefined the start date of the accreditation term in line with the explanation provided in the previous session. Given a divergence of views among Board members, a number of items that had been discussed in consultations were not contained in the amended decision: the implementation of the PSAA pilot; the adoption of the updated accreditation framework; a request to the Accreditation

Committee to resubmit the updated framework to the Board at B.24; and the extension of the prioritization of entities in line with decision B.21/16, paragraph (e).

390. The Chair of the Accreditation Committee noted with concern that the extension of prioritization and the PSAA did not feature in the redrafted decision. He had advocated for their inclusion in an earlier version discussed on the margins of the meeting. Prioritization should continue until the updated framework was resubmitted for the Board's consideration. Another Board member said that, during the consultations, they had also supported the inclusion of provisions relating to prioritization as well as the updated accreditation framework without references to the overall baseline of AEs. A further Board member also noted with regret that the PSAA no longer featured in the draft decision but said that they would not oppose its approval owing to its importance.

391. The Co-Chairs expressed their agreement that a more substantial decision would have been preferable but invited the Board to adopt the draft decision as presented to maintain essential accreditation operations.

392. A Board member noted that annex I to decision B.07/02, which the draft decision referred to, was not attached to the decision. They asked for clarification on its contents.

393. The representative of the Secretariat explained that the annex referenced in the draft decision related to the initial accreditation framework. Since the current decision no longer adopted the updated framework, it was necessary to refer to the original framework in relation to the accreditation start date.

394. The Board member who had asked the question expressed their discomfort in approving a decision that referred to an annex that was not attached to the decision. Furthermore, it was unclear whether the Board would return to the matter at B.24 or whether the initial framework would remain in place indefinitely.

395. The Co-Chairs said that it was customary to refer to previous decisions of the Board.

396. One of the Board members who had proposed the extension of prioritization asked for it to be included in the decision. They said that there had been no objection to the proposal outside the Boardroom.

397. The Co-Chairs said that there had been opposition to the extension of prioritization. Different Board members had argued for the inclusion of different sections of the original draft decision, but a consensus had not been reached.

398. Another Board member agreed that the current draft decision was an emergency measure. It was not feasible for individual Board members to request the inclusion of specific paragraphs because this would lead to others requesting further additions and consensus would not be reached.

399. The Board member calling for the extension of prioritization said that Board members opposing the extension should take the floor. Another Board member also voiced their support for prioritization on the basis that it represented a continuation of established activities and was therefore essential to maintain GCF operations. They were prepared to revisit the updated framework and the PSAA at a later date.

400. A Board member said that they had concerns regarding the extension of prioritization and did not agree to include it in the draft decision.

401. The Co-Chairs underscored the divergence of views on prioritization within the Board. They invited the Board again to adopt the draft decision as presented. Noting that a small group of Board members with opposing views had engaged in an offline discussion to resolve the matter, the Co-Chairs called a short break in proceedings.

402. After the break, the Board member who had said that prioritization was a continuation of established practice stressed its importance in meeting the expectations of stakeholders. While they would not oppose the draft decision under consideration, they said that the adjustment of the accreditation term was, in contrast to prioritization, not essential to GCF operations at the current time. They appealed to the Board to reinstate the language relating to prioritization. If the Board decided against this, they requested that their disappointment be noted.

403. The representative of the Secretariat clarified that the reaccreditation of the seven entities whose terms were due to expire in March 2020 was dependent on the establishment of a reaccreditation process. As of B.23, seven months remained before the Secretariat would need to publish documents for those entities to be considered for reaccreditation before their term ended. Without the updated framework, which contained the reaccreditation process, the Secretariat and the Accreditation Panel would be unable to begin that process.

404. In response to this clarification, the Board member asked the Secretariat to confirm that a decision on reaccreditation at B.24 would allow sufficient time for the process to be concluded by March 2020.

405. The representative stressed that if the Board did not make a decision, either to begin the reaccreditation process or to adjust the term of accreditation by B.24, there would not be enough time to reaccredit the entities concerned.

406. The Co-Chairs thanked the Board member and the representative for these clarifications.

407. Recalling that the draft decision text under discussion had been produced through consultations between Board members rather than by the Secretariat, the Chair of the Accreditation Committee urged the Co-Chairs to provide the Board with an opportunity to consider the paragraph relating to prioritization.

408. The Co-Chairs recalled that there had been no consensus to include the paragraph. They asked the Board member who had not joined that consensus if they had changed their view.

409. The Board member indicated that they had not.

410. Another Board member requested clarification on whether under the current decision the Board would consider the item again at B.24.

411. The representative of the Secretariat said that in consultations there had been no consensus on the inclusion of a request for the Accreditation Committee to resubmit the updated framework at B.24.

412. The Board member called for the Board to adopt a decision that would defer the item until B.24 to ensure that it would be reconsidered by the Board. Noting with concern that the lack of a decision on reaccreditation at B.24 would mean that GCF would end its engagement with several entities in March 2020, another Board member asked if their colleagues were prepared to take this risk.

413. The Co-Chairs reminded Board members that items not concluded in one meeting were reflected in the update of the Board workplan for future consideration. They proposed adding a second paragraph to the current draft decision that deferred consideration of the updated accreditation framework and the PSAA to B.24.

414. The Board member who had suggested deferring the item expressed their support for the proposal of the Co-Chairs. They said that the Board had a responsibility to observe its procedures: when it did not achieve consensus on a matter, it should defer its consideration. In addition, they highlighted the centrality of accreditation to GCF operations and the need to present a good image of the Board at the current meeting.

415. The Chair of the Accreditation Committee requested using the time needed to print the amended decision to consult with the Board member opposing prioritization. They noted that the Board member had not seen the related paragraph in consultations.

416. Recalling that several Board members had opposed different parts of the decision, the Co-Chairs said that it was not appropriate to enter into consultations with an individual Board member to reinstate a specific item.

417. The Board member who had proposed deferral requested that the item be suspended so that the Accreditation Committee, other Board members engaged in the discussion and the Secretariat to consult on the draft decision text with a view to addressing some of the essential accreditation matters that had been raised.

418. The Co-Chairs suspended the item.

419. The Co-Chairs reopened the item later in the evening and invited the Chair of the Accreditation Committee, Mr. Muyungi, to introduce the revised draft decision.

420. Mr. Muyungi presented the changes. Three paragraphs had been added to the draft decision according to which the Board would extend the prioritization of entities to B.24, agree on the principle of the PSAA, and defer consideration of the updated accreditation framework to B.24.

421. The Co-Chairs thanked Mr. Muyungi for his explanation and invited the Board to adopt the draft decision.

422. Hearing no comments or objections, the draft decision was adopted.

423. The Board took note of document GCF/B.23/05 titled "Updated accreditation framework".

424. The Board adopted the following decision:

DECISION B.23/11

The Board, having considered document GCF/B.23/05 titled "Updated accreditation framework":

(a) <u>Decides</u> that the accreditation process as defined in annex I to decision B.07/02 is considered complete upon the effectiveness of the accreditation master agreement in Stage III of the accreditation process, and that such date of effectiveness shall serve as the start of the accreditation term for all entities accredited to GCF, including those accredited prior to the date of this decision;

(b) <u>Recalling</u> decision B.14/08, paragraph (d)(i), decision B.18/04, paragraph (c), decision B.19/13, paragraph (c), and decision B.21/16, paragraph (e), <u>decides</u> that future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate on balance, diversity and coverage and advance the objectives of GCF, and to that end <u>decides</u> to prioritize up to the end of the twenty-fourth meeting of the Board the following, not listed in order of priority:

(i) National direct access entities nominated for accreditation by national designated authorities or focal points of countries that do not have a national accredited direct access entity;

(ii) Private sector entities, in particular those in developing countries, seeking a balance of diversity of entities in line with decision B.09/07, paragraph (g), and decision B.10/06, paragraph (h);

(iii) *Entities responding to requests for proposals issued by GCF, for example, including a pilot phase for enhancing direct access; a pilot programme to support micro, small, and medium-sized enterprises; and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;*

(iv) *Accredited entities seeking fulfilment of their conditions for accreditation; and*

(v) *Accredited entities requesting upgrades in their accreditation scope;*

(c) *Agrees the principle of the project-specific assessment approach, as contained in section VII in annex II to document GCF/B.23/05, that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner; and*

(d) *Decides to defer its consideration of the updated accreditation framework and the implementation arrangements and budget for the project-specific assessment approach until the twenty-fourth meeting of the Board.*

Agenda item 16: Review of the initial investment framework

(a) Matters related to developing incremental and full cost methodology and policies on co-financing and concessionality

425. This agenda sub-item was not opened.

(b) Policy guidelines on programmatic approach

426. This agenda sub-item was not opened.

(c) Mapping of elements related to project and programme eligibility and selection criteria

427. This agenda sub-item was not opened.

Agenda item 17: Matters related to GCF support to adaptation

428. This agenda item was not opened.

Agenda item 18: Review of the initial modalities for the Private Sector Facility

429. The Co-Chairs drew the attention of the Board to document GCF/B.23/12 titled "Review of the initial modalities of the Private Sector Facility" and its addenda. They informed the Board that a draft decision was now before it that took account of the discussions during the informal meeting at the Holiday Inn on Friday, 5 July 2019 and consultations between Secretariat and Board members.

430. They invited the Secretariat to introduce the decision.

431. A representative of the Secretariat informed the Board that the text was essentially procedural and highlighted additional work to be undertaken and presented to the Board.

432. Under the leadership of the Executive Director, the Secretariat proposed to develop additional modalities for the Private Sector Facility on a staged basis, in line with the general approach of the Private Sector Strategy outlined in annex II to the document. This would be in the context of the update of the Strategic Plan and would be presented for Board consideration at B.24.

433. While undertaking this work, the Secretariat would address how each proposed modality would:

(a) Be implemented, including details of the proposed management structure, as well as budgetary and business model implications;

(b) Comply with the existing GCF policy framework, including the environmental and social management system and Information Disclosure Policy;

(c) Advance the objectives of the private sector strategy in increasing GCF engagement with the private sector as defined in annex II to the draft decision;

(d) Specifically address the needs of all developing countries and local, regional and international private sector actors, including small to medium-sized enterprises and local financial intermediaries;

(e) Underscore the importance of readiness support managed by GCF NDAs as outlined in the IEU evaluation report to ensure that the role of the private sector was integrated into country programmes and adaptation strategies; and

(f) Add strong provisions on country ownership and adherence to the NOL procedures in all private sector transactions.

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

435. In the ensuing discussion, as well as some general observations about GCF and its PSF, there were a number of comments related to the mandate of PSF and the relationship between that mandate, the Governing Instrument and Board decisions.

436. In terms of overarching comments, a Board member welcomed the new and comprehensive visions of the Secretariat based on the detailed review. The catalytic and paradigm-shifting role of GCF was required everywhere but was specifically needed in the promotion of private sector funding, as scale was needed in mitigation and adaptation. GCF must also take advantage of the emerging interest among businesses, industries and financial services in climate action. The Board member welcomed the cautious approach outlined by the Secretariat and expressed a willingness to explore the new approaches one by one according to the priorities identified by the Secretariat. Local currency lending and several delisting instruments were ready for piloting. They looked forward to further discussions and supported the draft decision once detailed points raised by Board members had been addressed.

437. A Board member raised a query in relation to the draft decision, paragraph (c), which stated that the Board: “Also recalls decision B.04/08 in which the Board decided that the Private Sector Facility, in accordance with non-objection procedures and to ensure consistency with national climate strategies and plans and a country-driven approach, may over time work directly with private sector adaptation and mitigation actors at the national, regional and international levels". The Board member recalled that “working directly” was a controversial topic at COP 17 in Durban, South Africa. The decision at that COP was that there would have to be a no objection from the NDA. In this respect, “working directly” was contradictory to that decision.

438. The representative of the Secretariat responded that “working directly” did not mean that the Secretariat would not be working with the NDA or without an NOL. What it meant was that, instead of having an AE between GCF and the NDA, GCF could work directly with an

institution identified by the NDA after an NOL had been given. This was covered by decision B.04/08.

439. A Board member requested clarification as to which of the various documents circulated to the Board before the meeting was being considered. (The Secretariat representative subsequently clarified that there were a number of matters under this agenda item, but that several of these had been removed so that they could be addressed as part of the Strategic Plan. The focus now was to request the Board to approve the strategic direction of PSF in relation to the private sector.)

440. The Board member went on to make a broader point in relation to the UNFCCC and developed country Parties' responsibilities. The member noted that the whole idea of trying to be innovative was problematic for developing countries as it shifted financing responsibilities. The documents also referred to matters such as endowments. This meant that not only was mitigation liability being shifted to developing countries but also adaptation liability. The Board member stated that they were not able to adopt the draft decision.

441. Another Board member recalled that this decision related to various paragraphs in the Governing Instrument, namely those under paragraphs 41-44. Paragraph 43 explicitly stated that "The facility will promote the participation of private sector actors in developing countries, in particular, local actors, including small and medium-sized enterprises and local financial intermediaries. The facility will also support activities to enable private sector involvement in SIDS and LDCs". They stated that during consultations they had requested that the reference to Africa in annex II, section IV, paragraph 4(c) of the draft decision be aligned with the Governing Instrument, which specifically mentioned SIDS and the LDCs. This had not been done. As far as adaption was concerned, Africa was included but it was not referenced in relation to the PSF supporting activities to enable private sector involvement, which applied only to SIDS and the LDCs. It was requested that the bracketed phrase in paragraph (c) be removed (i.e. remove "(with a particular focus on least developed countries, small island developing States and countries in Africa)").

442. The Board member who had opined that paragraph (c) in annex I appeared contradictory, stated that it appeared that a private company in a given country could work directly with GCF without being accredited but a non-governmental organization (NGO) or government entity in that country could not.

443. The Co-Chairs invited the Secretariat to respond.

444. The representative provided the following responses:

(a) Regarding working directly with private sector actors, this did not mean they were not required to go through the rigorous process of formal due diligence. However, there were other aspects that were currently not included in GCF accreditation, such as integrity due diligence. The rigorous approach of GCF would remain with respect to ensuring that a small local bank, such as XacBank in Mongolia, had access to GCF resources and could be considered in a transparent manner; all private sector companies would be subject to this policy. Furthermore, the updated accreditation framework would give more flexibility to look at project-specific appraisals in the private sector. The aim at B.23 was to seek approval for the strategic direction necessary for the PSF to function effectively. This would provide guidance to the Secretariat in considering more risk-inclined projects such as FP115 in Chile; building local financial institutions in developing countries (like XacBank), and also for GCF to be "market makers" and use readiness support for the NDA to engage the private sector in developing countries. The Board was only being asked to approve the strategic direction so that the Secretariat could integrate the private sector into its programmes. At a subsequent Board meeting, Board members would be asked to consider the detailed modalities;

(b) Regarding endowments, the idea was for GCF to provide funds and mobilize additional funding from other international foundations and create a mechanism for developing countries to have a permanent vehicle. There was nothing in the proposal that involved shifting of responsibilities to developing countries. This text could be removed, and the matter consulted further with Board members; and

(c) Regarding SIDS, the LDCs and African States, it was important to note that out of the 47 countries that were the LDCs, over 33 were in Africa. Annex II would be revised as requested.

445. The Board member who had raised a question about the private sector "working directly" proposed to delete that from the text; retaining it would create issues with other actors that had to pass through the regular accreditation process. This would create a different type of accreditation for the private sector. It would be preferable to talk of "private sector accreditation". It was a type of accreditation that related to an assessment of the legal, financial, technical and reputational aspects of a firm.

446. Another Board member requested that Africa be retained in the text as currently proposed. Decision B.04/08, paragraph (e) "Emphasized the need for the Private Sector Facility to pay specific attention to Africa and to adaptation activities at the national, regional and international levels". The Board member stated that they could not accept the removal of Africa from the text. SIDS and the LDCs were already in the Governing Instrument and this was additional to that. This was echoed by another Board member.

447. A further Board member expressed surprise at how the Board was referencing the Governing Instrument and subsequent Board decisions. They further noted the importance of taking care to use appropriate references such as that in paragraph (f) in annex 1, which referred to the Governing Instrument. In seeking to approve the strategic direction of the PSF and its work, the Board must ensure consistency with the Governing Instrument. The Board member also requested clarification in terms of the reference by other Board members to annex II, section IV, paragraph 4(c) in respect of Africa.

448. A Board member reiterated that the Governing Instrument only specifically referred to the LDCs and SIDS but that it was necessary to take both the Governing Instrument and decision B.04/08.

449. The Co-Chairs reiterated that what was before the Board was a procedural decision and time was now limited. They proposed suspending the item for further consultations.

450. A Board member expressed concern that if the draft decision text was to be consulted offline, they would need to be assured that they would be kept informed as they also represented Africa.

451. The Co-Chairs affirmed that everything would come back to the Board.

452. The Board member who had requested clarification regarding annex II, section IV, paragraph 4(c) reiterated their request so that they could consider their position.

453. The Co-Chairs confirmed that the Board would remain in plenary.

454. A representative of the Secretariat stated that the Secretariat had to consider both the Governing Instrument and decision B.04/08.

455. The Board member who had expressed concern that the draft decision was not aligned with the Governing Instrument in respect of Africa said they did not feel offline consultations were an appropriate way forward. Furthermore, a decision had been taken that changed the Governing Instrument. The member could not accept this without further discussion within their constituency and with the chairs in the Latin America constituency. They opined that the

decision from the fourth meeting of the Board should not have taken place as it was not aligned with the Governing Instrument. They requested that the decision be deferred.

456. The Co-Chairs noted that there was no time for Board members to consult with their constituencies.

457. A Board member who had requested that the reference to Africa be retained in the draft decision text accepted the constraints on the Board member who had stated they could not move forward without constituency consultations. Noting that they were also a representative of the Africa constituency, they suggested that the Board should have legal guidance on the decision from the fourth meeting of the Board. For the Board member, the inclusion of Africa was not in contradiction with the Governing Instrument, it complemented it. More engagement by the private sector was important in the continent.

458. Another Board member highlighted the importance of not delaying steps to ensure the private sector was fully involved in efforts to address climate change. It was also essential for the procedures followed by the Board in relation to the Governing Instrument to be fully transparent.

459. The Co-Chairs confirmed that they would request the opinion of the General Counsel.

460. A further Board member expressed support for a legal opinion. They opined that they did not see a conflict with the Governing Instrument and underlined the importance of the private sector. In response to concerns expressed, they suggested that there were some simple solutions, such as deleting paragraph (c) in annex 1 of the draft decision and deleting references to some subgroups, such as SIDS and the LDCs, to keep the text more general.

461. Another Board member echoed support for a legal opinion to clarify matters. Regarding the reference to SIDS and the LDCs, this was very clear. The Board could not ignore the fact that some regions and countries were at a very great disadvantage and needed support from this private sector strategy to catch up. These subgroups could be deleted if they are consistently mentioned and if the strategy intended to address these.

462. The Board member who had requested clarification on annex II, section IV, paragraph 4(c) stated that they had their own legal opinion regarding the Governing Instrument and Board decisions. In their opinion the Governing Instrument and Board decisions were not on the same level, with the Governing Instrument having supremacy. Their view was that the phrase in brackets in this annex did not, in any event, reflect accurately decision B.04/08. They suggested that perhaps there was a way to reflect both the Governing Instrument and the Board decision. However, this should not be at the same level as this would not be legally sound.

463. The Co-Chairs invited the General Counsel to take the floor.

464. The General Counsel informed the Board that they were not in a position to give a definitive legal opinion on this matter at this time. It was not possible as one would have to yield to examine all the documents related to the Governing Instrument and the whole host of decisions that influenced the formation of the Governing Instrument, that is, the travaux preparatoires. Such an interpretation could have profound implications for the Governing Instrument and so would require mature consideration and sober deliberation. It would be irresponsible to give a legal opinion based solely on what had been said during the Board discussion.

465. The Co-Chairs confirmed that the agenda item would be deferred.

466. The Board took note of document GCF/B.23/12 titled "Review of the initial modalities for the Private Sector Facility" and its addenda Add.01 "Addendum I: Consideration of the private sector strategy", Add.02 titled "Addendum II: Consideration of modalities 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", Add.03 titled "Addendum III:

Review of the mobilizing funds at scale pilot", Add.04 titled "Addendum IV: Review of the micro, small and medium-sized enterprise pilot programme", Add.05 titled "Addendum V: PSAG recommendations on mobilization of private sector finance to progress the GCF forestry-related results areas" and Add.06 titled "Addendum VI: Technical notes".

467. No decision was taken under this agenda item.

Agenda item 19: Status of GCF resources and portfolio performance

468. The Co-Chairs opened the agenda item and drew the attention of the Board to the following documents:

(a) GCF/B.23/Inf.10 titled "Status of the initial resource mobilization process";

(b) GCF/B.23/Inf.05 titled "Status of the GCF pipeline, including the status of Project Preparation Facility requests" with two addenda transmitted on a limited distribution basis; and

(c) GCF/B.23/Inf.12 titled "Status of the GCF portfolio: approved projects and fulfilment of conditions".

469. They invited representatives of the Secretariat, namely the Head of Administrative Operations ad interim, Mr. Sunil Jhunjhunwala, and the Head of Portfolio Management, Mr. Sohail Malik, to introduce the documents.

470. Mr. Jhunjhunwala presented GCF resources and commitments to date as outlined in document GCF/B.23/Inf.10, highlighting the remaining commitment authority of USD 1.3 billion.

471. Mr. Malik presented the current status of the GCF portfolio and the volume of concept notes and funding proposals in the pipeline against IRM targets. He stated that FP054 had lapsed, returning USD 58.5 million to the commitment authority, and reported on the status of RFPs and SAP proposals. Finally, he presented the background and key findings of the scaling pilot review, as set out in document GCF/B.23/Inf.12.

472. Two Board members sought clarification on how the LDCs in Africa were treated in the statistics, given that they came under two categories: African States and the LDCs. One of these Board members asked for a hard copy of the graph of the regional breakdown of the GCF portfolio. Noting that the pipeline included 68 SAP proposals worth a maximum funding volume of USD 10 million each, they called for a procedure that would expedite the approval process for these projects. This was especially important given that SAP projects were targeted at grass roots and indigenous communities and the most vulnerable people. The other Board member asked for an update on the MFS RFP, given that it was an important programme worth USD 500 million. With reference to the expected 1.5 billion tCO_2eq abated by GCF-approved projects, they asked for further information on how this figure had been reached. It seemed low given the total volume of GCF funding.

473. Another Board member called for the data on the progress of funding proposals through the GCF pipeline provided in document GCF/B.25/Inf.05 to be made more widely available. They wished to see this information transferred to an online system so that Board members and AEs could track the status of individual proposals. The Board member noted that the Secretariat had committed to establishing such a system by the end of 2020, but they said that this was too long to wait. Another Board member supported this call, proposing that if proposals were delayed in any way, this could be flagged, allowing stakeholders to request information on the delay and call for the prioritization of the proposal.

474. Recalling the point they had made under agenda sub-item 12(d) on the need to perfect rather than adjust the approach of GCF, a Board member noted that the presentation painted a

picture of an organization that had achieved a considerable amount in avoiding emissions and changing people's lives using funds from the IRM. This should be the storyline shared with contributors and at the United Nations Climate Action Summit. The focus should be on the results of GCF rather than on how the Board made decisions. It was not the task of developing countries to solve the problem of global warming with respect to the 1.5 °C threshold but merely to contribute to these efforts. The Board member requested the Secretariat to share the presentation on the GCF website and send it to Board members via email.

475. An active observer for PSOs noted with regret that no funding proposals had been submitted in the "buildings, cities, industries and appliances" and "low-emission transport" results areas. They called on the Secretariat to step up engagement with the private sector on urban development projects. Noting the reputational impact of the two-year time lag in approving the first proposal under the MFS RFP, they urged the Secretariat to swiftly process the further 29 proposals in the pipeline.

476. The Co-Chairs invited the representatives of the Secretariat to respond to the comments.

477. In terms of the breakdown of the LDCs, SIDS, African States and countries falling into more than one of those categories, Mr. Malik explained that figure 6 in document GCF/B.23/Inf.12 used an aggregated figure for all these countries. In the pie charts shown in the presentation slides, however, the countries were categorized separately. A hard copy of the Board presentation would be distributed. Work on the online tracking system was already under way. The Secretariat intended to roll out the system on a modular basis while simultaneously developing a system covering the project life cycle. Mr. Malik further explained that the SAP and post-approval processes were accelerating, with one FAA recently signed just one month after project approval. The low proportion of proposals in results areas related to urban development would be taken into consideration during the pipeline stage.

478. Regarding the online tracking system, Mr. Glemarec, reminded the Board of the project cycle mapping exercise presented under agenda item 5. It would take one year to fully implement the necessary improvements identified by this exercise. In the meantime, it might be feasible to introduce the tracking system on a modular basis, and Mr. Glemarec indicated that he would discuss this possibility with the information technology team. He noted the desire of two Board members to see progress on the project before the end of 2020.

479. On the MFS RFP, the Director of the PSF, Ms. Ayaan Adam, explained that 30 concept notes had been shortlisted by the end of 2017. Around ten proposals were at various stages of preparation. One reason for the time lag in submitting proposals to the Board was that 80 per cent of concept notes had been put forward by entities that were not accredited. It had taken a long time to match these proposals with AEs. In addition, some proposals had been withdrawn because it was not possible to find AEs to implement them. Pending the resolution of a number of appraisal issues, the Secretariat also aimed to present several proposals under the initiative at B.24.

480. The Co-Chairs thanked the representatives of the Secretariat for their responses.

481. They asked if the Board wished to take note of documents GCF/B.23/Inf.05 titled "Status of the GCF pipeline, including the status of Project Preparation Facility requests" and its two limited distribution addenda, Add.01 titled "List of funding proposals" and Add.02 titled "List of concept notes"; document GCF/B.23/Inf.10 titled "Status of the initial resource mobilization process"; and document GCF/B.23/Inf.12 titled "Status of the GCF portfolio: approved projects and fulfilment of conditions".

482. Hearing no further comments and no objections, the Board duly took note of the documents.

483. No decision was taken under this agenda item.

Agenda item 20: Consideration of funding proposals

Part 1

484. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/02 and its addenda Add.01–Add.09 and Add.12 (general distribution); Add.10 and Add.11 (confidential distribution) and Add.13 and Add.14 (limited distribution) titled "Consideration of funding proposals". They explained that they would invite the Secretariat to introduce the item, and the independent Technical Advisory Panel (TAP) to provide some general comments, and then would open the floor for comments before considering the funding proposals one at a time.

485. A representative of the Secretariat summarized the B.23 funding proposals and provided an analysis on the status of the IRM target in nominal and grant equivalent terms in the portfolio if the Board approved all the funding proposals.

486. The Chair of the independent TAP, Mr. Joe Yamagata, outlined the activities of the independent TAP in respect of B.23. The Chair also explained that the independent TAP had held its first lessons-learned session prior to the Board meeting, which aimed to share the views and approaches of the independent TAP with AEs so that they could take those into account when preparing funding proposals. This was part of the efforts of the independent TAP to reach out to AEs before they submitted funding proposals.

487. The Co-Chairs thanked the Chair of the TAP and the Secretariat for the introductions and opened the floor for general comments.

488. The Board member from Japan stated that he would make no comments in relation to FP115 as the AE for the project was a Japanese legal entity.

489. In the ensuing discussion a range of general comments were made along with some specific comments related to individual funding proposals.

490. There was widespread praise for a strong batch of funding proposals with several good ideas and innovative approaches. Many Board members expressed thanks to the Secretariat and the independent TAP for their work and to the AEs. One specifically commended the responsiveness to questions they and their team had raised.

491. Several themes emerged along with a number of specific points.

Paradigm shift

492. A Board member opined that the overall assessment of the portfolio indicated the potential to further strengthen the opportunities for the GCF to contribute to the paradigm shift in the form of transformative investment, long-term policy reform, and behavioural changes, which constituted the main objectives of the GCF. The investment criteria (which are still being worked out, including efforts to take into account the findings of the FPR that the criteria lack a strong climate dimension), the results measurement framework and the Readiness Programme were all important tools in this context.

Business-as-usual projects

493. A Board member expressed concern that in some projects there was a replication of business-as-usual cases where it was not clear that GCF needed to invest, considering that the priority was to promote paradigm shift. The role of the GCF, with regard to the USD 100 billion in climate finance that would flow in by 2020, is as a catalyst, maximizing climate impact per the Governing Instrument. The IAEs should be aware of this by aligning with GCF policies. Their large share of climate finance has to be catalytic and maximize impact. This should be a clear

message to these AEs. They, and all AEs, should supply a clear rationale on why GCF support was needed and on the level of finance and kind of instruments they were seeking. GCF needs to provide granular level policy guidance. The investment framework policy should be concluded to achieve this goal.

National ownership

494. A Board member said that national ownership needed to be further strengthened, ensuring that local communities and civil societies were actively involved in the planning and implementation of projects by ensuring that national and local whistle-blower functions were available. This was important both in terms of transparency and to avoid any misuse of the GCF funding.

Adaptation

495. A Board member said it was good to see the emphasis on adaptation in the batch of proposals while noting the importance of balance between adaptation and mitigation. The balance of proposals was 52 and 48, respectively, in grant equivalent terms. Another Board member hoped to see continuing efforts on adaption in future batches of funding proposals. Another commended the attention given to adaptation in this group of funding proposals and the focus on vulnerable countries.

496. A Board member wished to know why several adaptation projects did not show projected data on emission reductions, such as those funding proposals in the forestry and agricultural sectors.

Cross-cutting projects

497. Noting that there were many cross-cutting projects, a Board member suggested that maybe it was time to look at these again in the context of adaptation and mitigation on the basis that these projects were not having the expected results.

Gender

498. Several Board members commented on gender and commended progress made in integrating gender analysis and action plans into the funding proposals. These addressed key issues of vulnerable populations in developing countries, such as “climate resilience” in the agriculture and food systems-related sectors. One Board member noted that the evidence demonstrated why gender was a critical factor. In the agricultural sector, female farmers produced 50 per cent of the food but only received 10 per cent of the income and only 5 per cent of agricultural extension services. It was estimated that with equitable access to productive resources, women could increase agricultural yields by 20–30 per cent and that closing this yield gap could help lift 150 million people out of hunger. Furthermore, it had been shown that where women controlled the additional income from agricultural systems, they spent 10 times more than men on food, health and education of their children. They expressed satisfaction at seeing such general evidence reflected in the funding proposals at B.23. For example, in SAP007, the project area would target food insecure households in adaptation to climate change where the 66 per cent of residents were women. In FP110, gender was built into the project design by default without additional cost as noted by the project proponents; they saw it as good business case development. This evidence-based approach was critical for GCF gender policy to be revised and mainstreamed in all funding proposals.

499. Given the critical linkages between agriculture and climate, the Board member was also pleased to note that a technical symposium on this topic would be held in advance of the replenishment consultation in Ottawa in August.

500. The Board member also noted that this batch of funding proposals included projects that would build resilience to disaster and emergency; 87 per cent of disasters in the last 10 years had been climate-related and this figure was expected to grow. The same factors that excluded women from agriculture made women more vulnerable to disasters.

501. Other Board members reiterated the importance of moving the GCF gender policies forward.

Direct access entities

502. A number of Board members expressed concern that the funding proposals presented to the Board at B.23 did not include any DAEs. One Board member repeated a call made at earlier Board meetings for the funding of DAEs, as this was a distinct feature of GCF.

Concentration risk

503. A Board member expressed concern at the risk of concentration of GCF funds in a few AEs, noting that one AE was already one of the main channels for GCF funding and represented 40 per cent of all funding proposals. Another Board member proposed that the Secretariat present the accumulative GCF funding amount for each AE to avoid AE concentration. This could be in the form of a graph.

Role of the independent Technical Advisory Panel

504. A Board member welcomed the initiative of the independent TAP to work with AEs at an early stage and proposed that the Board consider how to develop a more operational role for the TAP. This would help to ensure stronger funding proposals.

Conflict analysis

505. A Board member reiterated the need for a proper conflict analysis to be provided in funding proposals, noting they had raised this point on several previous occasions. There needed to be an assessment of how to minimize a project's potential negative impact on ongoing conflicts and increased social tensions and maximize its positive contribution to peacebuilding. This was relevant in all country contexts whether there was open, armed conflict or where tensions were more suppressed. This should be a natural part of the risk analysis.

Sharing the independent Technical Advisory Panel assessments with the Board

506. A Board member requested that independent TAP assessments be circulated in a compendium as was the case during previous meetings. They noted that this was helpful for Board members in assessing funding proposals.

Document management system

507. A Board member requested an improved system to enable the Board to monitor the funding proposal process. This would enable it to identify problems. They noted that the disclosure that there was a 1,126-day project review cycle, which was made during the presentation by the IEU of the GCF performance review at the informal Board meeting on 5 July 2019, was enlightening. A document management system would allow the Board to see the history of the projects and entities. Most of all, it would generate statistics on how much time was taken at each stage, which would enable identification of problems in the project cycle and improve the project quality.

Disclosure

508. A Board member commended the improved disclosure of information but noted that there was still room for further improvement, for example, the environmental review information in one Category A proposal. Furthermore, environmental analysis should be readily available and easily accessible in line with GCF policy, in particular for projects with significant environmental impacts.

Streamlining the funding proposal process

509. A Board member requested further streamlining funding proposal templates to reduce the collective effort needed by everyone, including project proponents, the Secretariat, the independent TAP the Board, and all stakeholders.

Climate change and biodiversity

510. A Board member welcomed those funding proposals with nature-based solutions as it was important for GCF to enhance its focus on the interface between climate change and biodiversity.

Other comments

511. A Board member highlighted the fact that one project could not magically solve every problem. GCF needed to focus on the targets stipulated in each proposal and its delivery in terms of adaptation and mitigation. One of the core deliverables was the contribution to NDCs.

512. A Board member commended FP115, which importantly addressed critical bottlenecks in leveraging private sector finance and showcased how a small amount of GCF funding could leverage a substantial amount of private sector investment.

513. The same Board member stated that with regard to FP111, the project stimulated a paradigm shift with a limited amount of additional resources. As an adaptation project, it also had a strong mitigation co-benefit.

514. A number of Board members expressed a wish for the Board to decide on the funding proposals as a package to save time for other matters, especially given that there appeared to be no objections from anyone to any proposal. One Board member stated that consideration of funding proposals was the main business of the Board. It was about understanding the real impact of the work of the GCF. AEs had invested much time in preparing funding proposals and working with NDAs and others. It was the duty of the Board to take its time to review the proposals one by one for the investment that the Board would be making. This was standard practice and gave everyone an opportunity to raise questions.

Active observers

515. An active observer for CSOs welcomed the strong focus on adaptation in the current group of funding proposals, especially in the light of the Board's discussion the previous day on the need to continue to strengthen focus on adaptation for the most vulnerable people and countries in GCF strategic programming.

516. They echoed remarks by Board members on the importance of gender responsiveness in design and implementation. Such interventions would not be sustainable without equal opportunity for women to contribute.

517. The active observer said that civil society shared the concern that all funding proposals were from international entities. It further cemented the imbalance within the GCF portfolio

with the overwhelming majority of GCF funding being channelled through IAEs (USD 4.5 billion for 86 projects, or 84 per cent of total GCF funding) while only 16 per cent, or only 26 projects, were channelled through DAEs. It highlighted the need for potential prioritization through enhanced technical support for DAE proposals in the pipeline. This linked to the increasing concentration risk of the GCF portfolio. The active observer questioned whether this could be better reflected in the GCF risk management framework. Noting the strong focus on insurance schemes for small-scale farmers in several projects, such as FP108, they expressed concerns as to whether this was the best use of scarce GCF resources because the payout metrics were potentially too narrow to trigger a GCF payment. While insurance approaches could be one tool in addressing vulnerability due to climate variability, most private insurance schemes are not silver bullets. Social protection schemes, which were not sufficiently considered in some of the adaptation proposals presented, should be the first alternative.

518. In this context, they expressed concern that, by increasingly conceptualizing climate rationale and approaches to adaptation on a narrow basis, GCF may be missing out on maximizing sustainable developmental benefits from projects such as FP108.

519. They commended the inclusion for the first time of separate sections regarding indigenous peoples, alongside gender and ESS, in the assessments of several funding proposals, including FP108, by the Secretariat and independent TAP. They wished to see this continue as good practice.

520. Regarding the ESS report, they expressed concerns at only partial and incomplete reporting on employment implications of projects.

521. They reiterated a long-standing request that more of the annexes to public sector funding proposals be released to the public; they commended those AEs, such as United Nations Development Programme (UNDP), which had disclosed these annexes to CSOs. They also requested the public release by the Secretariat of its assessment of private sector funding proposals, even if they had to be partially redacted to protect proprietary information.

Secretariat responses

522. The representative of the Secretariat provided the following responses.

523. Over several Board meetings, the Secretariat had listened to the guidance from Board members and the improvement in the handling of projects was a direct response to this; it reflected the emphasis on GCF being a learning institution. This approach would continue with respect to gender, nature-based solutions, and the focus on adaptation and on the most vulnerable.

524. The Secretariat was also taking its disclosure responsibilities seriously. It had increased the number of documents made publicly available and was working to resolve technical issues so there could be comprehensive disclosure by B.24.

525. In other areas the Secretariat was working to improve further, such as in conflict analysis, local communities, CSO engagement and strengthening other local mechanisms.

526. It was clear that GCF needed to work on getting more DAEs. The representative noted that although the Secretariat did not produce documents for Board members on the quarterly GCF risk dashboard, this was publicly available on the GCF website. This contained the AE concentration analysis. In the meantime, the Secretariat was mindful of the reality that for some countries, there were only a few AEs they could work with to develop projects for the GCF. A number of these countries were very vulnerable. If there was any restriction on these countries partnering with IAEs, they would be penalized as there were no other entities they could partner with.

527. It was clear that more work was needed on social protection, communities, cities and similar matters. While work was ongoing on the GCF Strategic Plan and strategic programming, the Secretariat had consulted with several Board members and was starting to develop the sectoral guidelines. The aim was to do this in a very consultative way, trying to identify where GCF provided added value while taking into full consideration the needs of countries and ensuring alignment with their priorities according to their nationally adopted strategies. The intention is to come back to the Board regarding this work once the Strategic Plan had been adopted.

528. The Co-Chairs thanked everyone for the valuable discussion. On the matter of consideration of individual funding proposals, they noted the request to consider them as one package. They also noted the request to continue the usual practice. They would proceed to consider funding proposals one by one and begged the indulgence of those Board members who favoured the package route.

Part 2

529. The Co-Chairs informed the Board that they would now proceed to consider the funding proposals. For each funding proposal, they would invite the Secretariat to provide an introduction. They would then invite the Board to approve the funding amount requested for the funding proposal before opening the floor for comments. They reminded Board members that representatives from the AEs were present and were welcome to come into the Boardroom when their respective funding proposals were being considered to answer to any questions the Board may have.

530. With reference to the Policy on Ethics and Conflicts of Interest for the Board, the Co-Chairs invited any Board members who wished to recuse themselves from participating in deliberations on any of the funding proposals to do so. One Board member did so, as recorded in Part 1 above.

531. They proceeded to consider the funding proposals before the Board.

Funding proposal 107 titled "Supporting Climate Resilience and Transformational Change in the Agriculture Sector in Bhutan", by the United Nations Development Programme

532. The Co-Chairs opened funding proposal FP107 as contained in document GCF/B.23/02/Add.01 and Add.14.

533. A representative of the Secretariat introduced FP107 highlighting that, as a landlocked mountainous LDC in South Asia, Bhutan was highly vulnerable to climate change. The project aimed to address multifaceted challenges of climate change and enhance resilience of smallholder farmers in eight districts of Bhutan through an integrated approach of climate-resilient agriculture. The project would support smallholder farmers to adopt resilient agricultural practices with appropriate water and land management and the rehabilitation of farm roads to increase access to markets. The project requested GCF grants of USD 25 million with co-financing of USD 33 million.

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

535. A few questions were raised by Board members including a request for an estimate of CO_2 emission reduction co-benefits from this kind of project and a clarification as to why the project had been given a medium rating on impact and paradigm shift potential by the independent TAP.

536. A representative of the AE (UNDP) responded that they would provide an estimate of mitigation co-benefits as the project was taken forward.

537. A representative of the independent TAP informed the Board that in relation to impact potential, while the proposal would cover a significant proportion of the population and a number of institutions in Bhutan, there was a degree of doubt about the extent to which it would deliver across the whole country. This was because the population is distributed across three mountainous regions, making access difficult.

538. The Board member asked again about transformational potential.

539. The independent TAP representative explained that this was rated as medium because, although the overall area covered was small, the distribution of weather stations and the mountainous zones meant coverage was low. Although they had almost 20 years of data, it was low in terms of depth and distribution. It was felt that, given that the project only had a six-year term, it would be challenging to develop the agricultural advisory service and then disseminate it to people widely scattered in mountainous regions.

540. Regarding impact potential, the UNDP representative noted that, given the geography, the proposal focused on engaging decentralized community structures to help execution and implementation. This was in line with other funders, and the project would complement other projects.

541. In terms of paradigm shift potential, long-term sustainability reflected elements from disaster risk analysis and participatory approaches, including with farmers. For climate information, it would complement two previous projects with NGOs on disaster and climate risk analysis. The project also focused on mainstreaming elements of resilience into irrigation systems and long-term term road infrastructure planning. The AE was also coordinating with the recent national adaptation planning project, which had been funded by GCF; long-term systemic change was built into the design.

542. The Board member thanked the Secretariat, the independent TAP and the AE for their explanations, noting that the lesson was to be very careful in terms of transformational impact generated by GCF investments. The project also illustrated how country-specific these matters were, in this case because of the landlocked nature of the country. Consequently, GCF needed to look carefully at the design of such projects tailored to the circumstances so that appropriate support could be provided. They confirmed that they were ready to support the project.

543. The Co-Chairs asked that AEs duly take note.

544. There being no further comments and no objections, FP107 was approved.

Funding proposal 108 titled "Transforming the Indus Basin with Climate Resilient Agriculture and Water Management", by the Food and Agriculture Organization of the United Nations

545. The Co-Chairs opened funding proposal FP108 as contained in document GCF/B.23/02/Add.02 and Add.14.

546. A representative of the Secretariat introduced FP108, requesting a grant of USD 34.99 million for a project aiming to increase the resilience of poor, small-scale farmers to climate change impacts in Pakistan's eight vulnerable districts in the Punjab and Sindh provinces. The project would strengthen local governments' capacities to support communities in adapting to climate change through improved climate information services and resilient on-farm management practices, directly benefiting 1.3 million people.

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

548. Several questions and comments were received from Board members.

549. One highlighted the need for GCF to focus on high impact problem areas with regard to climate change. Future generations may well ask how GCF had used its climate funding to tackle

the climate crisis. Major areas of concern included Central America and the Caribbean, the Sahel in Africa, the Southeast Asian "typhoon alley", and South Asia, including the management of the Indus and Ganges Rivers. In the latter, GCF needed to swiftly ensure there was good forecasting. This made this project very important.

550. Given that the Indus was a transboundary river, another Board member asked to what extent regional organizations had been approached to get the data that was going to be used in the project. They also asked about mitigation co-benefits.

551. A representative of the AE (the Food and Agriculture Organization of the United Nations) responded that with regard to transboundary aspects, they had discussed this proposal with other regional organizations, and the Food and Agriculture Organization was currently developing a project on managing transboundary resources in Pakistan and Afghanistan. The project itself was not addressing transboundary issues beyond Pakistan.

552. In terms of mitigation, this had been discussed with the independent TAP regarding price, which had been adjusted per GCF policies. There would be a mitigation contribution through adjustment in water management and agricultural practices, which would be reported.

553. There being no further comments and no objections, FP108 was approved.

Funding proposal 109 titled "Safeguarding rural communities and their physical and economic assets from climate induced disasters in Timor-Leste", by the United Nations Development Programme

554. The Co-Chairs opened funding proposal FP109 as contained in document GCF/B.23/02/Add.03 and Add.14.

555. A representative of the Secretariat introduced FP109, requesting a grant of USD 22.36 million, with co-financing of USD 37.09 million, for a project aiming to improve the resilience of rural communities and infrastructure in Timor-Leste, a SIDS, to more extreme weather events expected as a result of climate change. The project would build capacity to generate and use information on climate risks and vulnerability for early warning and action, improve response capabilities and financing to safeguard physical assets, and invest in small-scale climate-resilient rural infrastructure and catchment management restoration, directly benefiting 175,840 people.

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

557. There being no comments or objections, FP109 was approved.

Funding proposal 110 titled "Ecuador REDD-plus RBP for results period 2014", by the United Nations Development Programme

558. The Co-Chairs opened funding proposal FP110 as contained in document GCF/B.23/02/Add.04 and Add.14.

559. A representative of the Secretariat introduced FP110. The project presented Ecuador's REDD-plus results for 2014, with emission reductions of 4,831,679 tCO_2eq to the GCF for results-based payments (RBP) as part of the REDD-plus RBP pilot programme. Ecuador would use the proceeds from RBP to invest in additional activities that supported the implementation of their national REDD-plus action plan focusing on policies and institutional management for REDD-plus; transition to sustainable agricultural production systems; sustainable forest management; conservation and restoration; and the management of the REDD-plus action plan.

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

561. Several Board members expressed support for the proposal as the second proposal within the REDD-plus RBP Pilot Programme following the Brazil proposal approved at B.22. They commended Ecuador for the interesting proposal and for having a national approach.

562. In terms of specific comments, a Board member stated that in relation to technical aspects, Ecuador's forest reference emission level was in compliance with GCF requirements and the UNFCCC policies and stressed the importance of enhancing the forest reference emission level for the next submission at the end of 2019. Since Ecuador was part of the REDD Early Movers Programme, it provided an important and good example to be followed by other countries. They noted that the results from this programme should be subtracted from the results put forward to GCF. They commended Ecuador for using the proceeds to strengthen the national strategy and observed that Ecuador was one of the first countries to submit the summary report on ESS to the UNFCCC secretariat. They commended Ecuador for taking a national approach to REDD-plus. They encouraged Ecuador to ensure greater opportunities for the representation by indigenous peoples and civil society organizations in project governance. They said that the project could include more information on the efficiency of the use of proceeds. It should also ensure the use of proceeds was aligned with GCF principles and the REDD-plus pilot. Finally, they said that they had been very pleased with answers received prior to the Board meeting and supported the proposal.

563. A Board member from Japan said that the Japanese Government was generally in support of REDD-plus RBP projects, noting that the Ecuador project fell in this category. Regarding the activities which would be utilizing the proceeds, they wished to know what safeguards would be in place to ensure these led to reforestation not deforestation.

564. Another Board member highlighted the importance of the REDD-plus RBP Pilot Programme and its relationship with other financing channels, such as the REDD Early Movers Programme, noting that the approach of the GCF needed to be synchronized with this initiative, and the results subtracted from overall balance. They echoed other Board members wishing to see clarity in the use of proceeds.

565. Another Board member mentioned the importance of consolidating the REDD-plus mechanism established under the UNFCCC. They observed that the overall architecture took account of the Paris Agreement and was an important instrument for countries setting up their NDCs.

566. The role of forests as ideal mechanisms for capturing greenhouse gases was underlined by another Board member, as was the need for this sector to be a high priority for GCF. They welcomed the project, stating that it was an excellent initiative that needed to move forward.

567. An active observer for CSOs stated that the proposal was generally endorsed by La Coordinadora de las Organizaciones Indígenas de la Cuenca Amazónica (COICA), the indigenous peoples organizations in Ecuador. For the project to deliver its expected results, and hence contribute to the GCF goals while respecting the GCF Indigenous Peoples Policy, there were still some issues related to the broader national context that should be addressed in the Board decision.

568. As for the first GCF REDD-plus project, there should be guarantees that Free Prior and Informed Consent (FPIC) was effectively carried out and fully respected by the Government of Ecuador. This did not seem to be the case in the recent decision of the Ecuadorian Ministry of Environment to appeal a court decision that recognized that the Waorani people's rights, embedded in the Constitution, including FPIC, could be violated by Government plans to issue oil concessions on their lands.

569. Furthermore, to prevent leakage, and to support the transformation of the productive matrix in the country, civil society recommended a halt to further oil and mining concessions in

indigenous peoples and highly biodiverse lands, as well as the opening of new roads and multimodal axes.

570. The active observer also urged that the government of Ecuador be asked to guarantee that the uncontacted tribes be protected, given that the government recently issued oil concessions in a buffer zone around uncontacted tribes in the Yasuni area.

571. They appreciated the reference to *Planos de Vida* in the proposal and suggested that the Government of Ecuador be asked to ensure that these would be developed and implemented by indigenous peoples that should also have direct access to funding.

572. Lastly, the gender assessment and gender action plan were welcomed. They suggested that the relevant budget contain a breakdown of which amounts were allocated for which gender responsive activity. They also welcomed the fact that the gender action plan would be strengthened following the recommendations of the independent TAP and that a gender-responsive environmental and social impact assessment (ESIA) would be carried out. They recommended that it include safeguards-related output and not be limited to additional gender-sensitive and sex-segregated baseline data.

573. The Co-Chairs thanked the active observer for prioritizing interventions in the knowledge that they had submitted statements in writing on all funding proposals.

574. A representative of the AE stated that with respect to safeguards, UNDP would implement its ESS, which were fully aligned with the REDD-plus “Cancun safeguards”. After a couple of years of implementation, Ecuador would be able to explain how safeguards had been implemented for all the project activities.

575. With reference to FPIC, this was included in the UNDP Social and Environmental Standards, and one covenant was already included in the term sheet for this project, namely to provide evidence that FPIC had been provided before implementation of the project activities in indigenous territories.

576. The representative of the Secretariat said that they would seek to incorporate more details on the use of proceeds and thanked Board members for their support with the project.

577. There being no further comments and no objections, FP110 was approved.

Funding proposal 111 titled “Promoting climate-resilient forest restoration and silviculture for the sustainability of water-related ecosystem services”, by the Inter-American Development Bank

578. The Co-Chairs opened funding proposal FP111 as contained in document GCF/B.23/02/Add.05 and Add.14.

579. A representative of the Secretariat introduced FP111, requesting USD 35 million in grants and loans for the restoration of forest cover in key areas of the 29 water basins in Honduras, where rising temperatures and lower rainfall threatened to sharply increase the rate of forest loss, incidence of pine beetle outbreaks, and reduced water availability. Activities would include the replanting of native species and assisted revegetation; implementation of silvicultural practices to strengthen the natural resilience of the forest; strengthening institutions responsible for forest management to respond proactively to projected climate change; and strengthening forest governance and financial sustainability of the investment through the establishment of a Payment for Ecosystem Services scheme. The project would protect 270,000 hectares of pine forests, benefiting 27,000 farmer households while reducing emissions by 10.5 $MtCO_2eq$.

580. The representative explained that there was a change to one of the conditions proposed by the independent TAP. The AE (the Inter-American Development Bank (IDB)), in its response

to the independent TAP assessment, proposed alternative language for one of the conditions, in the light of the agreed text in its AMA. Having considered the proposed change and having reviewed the AMA signed with the AE, which provided that the AE shall apply its own integrity standards to ensure that integrity violations were not financed with the GCF proceeds, the independent TAP endorsed the proposed alternate text for one of the conditions. The other conditions proposed by the TAP remained unchanged. The proposed text was printed and distributed to the Board for consideration.

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

582. A Board member underlined the importance of the project because it focused on forest restoration, which was critical in the region. Hurricane Mitch (1998) had caused major devastation with 20,000 people killed or missing because of landslides caused by deforestation. It was important to avoid this in the future, and GCF needs to increase resilience of natural ecosystems.

583. Another Board member stated that the project stimulated a paradigm shift with a limited amount of additional resources. As an adaptation project, it also had a strong mitigation co-benefit.

584. The active observer for CSOs stated that the approach behind the project was valuable, as it aimed to combine restoration and pest control in forests with water source management while also generating actions to support greater subsistence of local communities.

585. However, civil society had serious concerns in regard to the general context related to human rights and human rights defenders in the country, which was relevant to this project. Honduras, where violations of indigenous peoples' rights were very recurrent, was also considered to be one of the riskiest countries for environmental and human rights defenders. Thus far the Government of Honduras has not shown determination in pursuing truth and justice for the killing of Berta Cáceres or a commitment to protect human rights defenders. Therefore, any funding to Honduras should be conditional on a clear commitment to guarantee protection of human rights defenders and monitor implementation. There should be a commitment by IDB and GCF to adopt a no-tolerance policy to attacks against defenders, building on the policy adopted by International Finance Corporation a year ago.

586. The active observer expressed concern regarding the lack of full and effective consultation of indigenous peoples and urged the AE to ensure that FPIC procedures were duly complied with.

587. In terms of the technical aspects, civil society recommended that the current proposed actions be complemented with a study on lessons learned in early warning systems for pest control in forests through satellite monitoring; the data could then be used in the project areas. They understood that the country already had a monitoring and management system; duplication of work needed to be avoided given that the project envisaged a USD 1 million investment in early warning and another USD 1.8 million to strengthen extension services in forests. Furthermore, coffee plantations should be combined with other high value species such as avocado plantations already promoted by the Government.

588. The gender assessment and action plan were welcome, but the percentage of women engaged in activities should be increased to improve the project's transformative outcome. The budget should be increased since USD 155,000 was considered insufficient to address 27,000 households in the area of impact of the project.

589. A representative of the AE stated that FPIC was part of the IDB policy, and no activities would be carried out without FPIC in the indigenous communities. These procedures were part of the manual of operations of the project. Furthermore, they noted that the project activities built on and were complementary to other systems, including early warning systems; analysis of this was provided in the project proposal. Regarding gender, there was a specific budget for the

gender plan, and gender activities were mainstreamed across all activities; gender indicators would be ensured across the project.

590. The representative of the Secretariat thanked the Board for all comments received, including from the active observer for CSOs, and informed the Board that they had had discussions with the active observers for CSOs and IDB and would take these into consideration in the project.

591. There followed a discussion on interventions from active observers in relation to issues within project countries. A Board member proposed that the NDA of the country in which the project was proposed, or another government representative, should have the opportunity to be present at a Board meeting when their funding proposal was being discussed. The same should apply in relation to the consideration of accreditation applicants. They argued that it was not fair for active observers to use the webcast to raise issues beyond the specifics of a project without the government being given the opportunity to respond. This was echoed by two other Board members, one of whom suggested that this would also foster country ownership. Another observed that GCF was not the human rights forum of the United Nations or the United Nations Security Council. Projects should only be assessed against GCF policies.

592. A representative of the NDA in Honduras was invited to enter the Boardroom and respond to comments made. They noted that the AE (IDB) had provided all relevant information on the technical and political issues. The Government was committed to human rights and was working to improve the situation in Honduras. The Government was in compliance with all its international commitments on human rights. However, this should be addressed in platforms outside GCF.

593. The Co-Chairs stated that comments should only be made in relation to the project presented and should not go beyond the project context. Regarding inviting NDAs to attend, this had not been the previous practice but could be considered. This was supported by two Board members.

594. There being no further comments and no objections, FP111 was approved.

Funding proposal 112 titled "Addressing Climate Vulnerability in the Water Sector (ACWA) in the Marshall Islands", by the United Nations Development Programme

595. The Co-Chairs opened funding proposal FP112 as contained in document GCF/B.23/02/Add.06 and Add.14.

596. A representative of the Secretariat introduced FP112, requesting USD 18.31 million to provide secure, year-round water access for the vulnerable communities living on the outer islands and atolls of the Marshall Islands, a SIDS affected by rising sea levels, storm surges and increasing frequency and duration of dry spells which threatened water supply. The project would upgrade over 2,500 existing household rainwater harvesting systems, increase rainwater storage capacity in more than 150 community buildings, provide an additional 120 community rainwater harvesting systems, and safeguard 2,500 wells from seawater inundation, directly benefiting 15,572 people. The Co-Chairs opened the floor for comments.

597. Several Board members expressed support for the funding proposal as it focused on adaptation in a very vulnerable SIDS facing climate risks, particularly because of more frequent and extreme droughts, which impacted water security. It was also based on strong underlying analysis. One expressed satisfaction at seeing that attention was being given to SIDS and expressed the hope that more would be presented for Board consideration. Another emphasized the importance of balancing the allocation of resources across recipient countries. Currently, among 38 SIDS and 47 LDCs, roughly half of them had not received any funding from GCF while facing similar challenges. They welcomed efforts to prioritize adaptation projects in the poorest and most vulnerable countries that have not yet received any support from GCF.

598. A Board member raised a question on the monitoring and evaluation of the project, which the member felt was quite static. Since the situation in the Marshall Islands could change quite rapidly, the Board member wished to know how GCF would make sure that learning from this project could be used to benefit other Pacific islands and elsewhere in the world.

599. Another underlined their expectation that the AE would continue to maintain oversight of responsible parties, particularly those under contractual arrangements, to ensure support to beneficiaries as described in the project proposal.

600. A representative of the AE (UNDP) stated that in relation to monitoring and evaluation, the point was well taken. UNDP would ensure that the climate variables were being monitored periodically to make sure that the investments in place were serving the purpose for which they were intended. UNDP was implementing adaptive management in the project and would be looking at the impacts of the initial implementation in some of the outer islands. The islands had been clustered into three and the UNDP team would be working in clusters one at a time. Lessons learned from one cluster will help to guide implementation in other clusters.

601. Finally, on quality assurance, UNDP had policies in place to ensure that project partners were following the instruments they had signed with UNDP. In this project, the direct implementation modality would be used.

602. The representative of the Secretariat said that the Secretariat was mindful of the fact that other SIDS and LDCs have not yet received GCF funding. In this regard it was undertaking outreach efforts to encourage them to develop more projects in LDCs and SIDS.

603. There being no further comments and no objections, FP112 was approved.

Funding proposal 113 titled “TWENDE: Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya’s Arid and Semi-Arid Rangelands”, by the International Union for Conservation of Nature

604. The Co-Chairs opened funding proposal FP113.

605. A representative of the Secretariat introduced FP113 as contained in document GCF/B.23/02/Add.07 and Add.14 requesting USD 23.14 million in the form of a grant to increase the resilience of the livestock sector and other land-use sectors in restored and effectively governed rangeland ecosystems in Kenya’s arid and semi-arid lands, directly benefiting 155,000 people. The project would strengthen coordinated transboundary rangeland management with enhanced climate change analysis and participatory community and county planning, safeguard and sustainably manage prioritized rangeland resources, and undertake public, private and community investments in natural resources.

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

607. Several Board members expressed support for the funding proposal, noting that it was an important project in creating adaptive capacity at a local level in the drier parts of the continent. It would also provide a learning platform for its applicability to other parts of Africa. The approach targeted arid and semi-arid lands, livestock and related sectors, which was the right approach to reduce vulnerabilities to droughts. It also highlighted the importance of managing transboundary resources and of data availability and building resilience in the livestock sector. One observed specifically that the logic of the proposed intervention appeared sound. However, this Board member wondered if the AE (the International Union for Conservation of Nature (IUCN)) and the executing entity, Conservation International, had the capacity to deliver on the private sector development aspect of component 3. To be successful, strong partners needed to be involved to ensure market development, bringing together the public sector as well as key domestic private sector actors. Furthermore, they noted that it was positive that the Government of Kenya and the National Drought Management Authority

(NDMA) were key partners. For the scale of implementation and given the aim of influencing county level planning in component 1, they expected to see strong reference to active involvement of county governments and CSOs. This also raised a question about sustainability of this project if there was no buy-in from both devolved authorities and local CSOs. Given these various concerns, special attention would need to be given by the AE in the remaining preparatory and execution phase.

608. One Board member wished to know whether the Kenya Meteorological Department was involved in this work and whether they would be able to provide climate services indicated.

609. The active observer for CSOs said that civil society supported this important and timely funding proposal. However, they identified a number of critical concerns that needed to be addressed:

(a) The governance structure and steering committee did not include any pastoralists organizations or county governments;

(b) It was not clear if indigenous peoples' organizations had been consulted and how they would be involved in the implementation;

(c) Adequate and evidence-based consultation of indigenous peoples' representatives across all the affected counties needed to be carried out not only to obtain FPIC but also for informed identification and prioritization of needs;

(d) They urged the inclusion of local pastoral organizations and county governments, including regular evaluation of project implementation and results to strengthen local ownership and ensure the voices and rights of the indigenous people were respected;

(e) The project area had experienced conflicts over land and water. Peacebuilding activities had not been incorporated into the implementation. There was a need for specific interventions focused on peacebuilding through working with organizations that specialized in this area. The observer expressed concern regarding one of the service providers, which had a poor track record in relation to conflict between its organization and local pastoralist communities. They recommended that the AE address this;

(f) They appreciated the strong gender analysis and suggested including a gender assessment of the existing conflicts over land and water for consideration in the specific interventions on peacebuilding while strengthening women's leadership in this regard;

(g) The Community Land Act was not mentioned in the proposal, yet this was an important legal instrument in Kenya for arid and semi-arid lands management. The project must operate within this framework and provisions of the Community Land Act must form the basis for any intervention strategies; and

(h) There was no additional information by AEs on how corruption risks would be mitigated in cases of inequities in policymaking and ability to influence those in power. There should be a strong local mechanism that evaluates and monitors any signs of corruption during implementation. The mechanism should include stakeholders who had expertise in money laundering and anti-corruption issues.

610. A representative of the AE provided the following responses:

(a) With reference to the private sector, more work was planned. In recent weeks IUCN had engaged with more partners, for example, the Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance, supported by United States Agency for International Development agencies and World Vision, on how to strengthen the value chains. The intention was to bring in the key players working in this field;

(b) Regarding county engagement, during the two years of project development there had been extensive involvement of different counties. For this project, the target region had been slowly narrowed down over that time. The project steering committee included county governments, the council of governors, and representatives who would be selected from an NGO consortium;

(c) In terms of stakeholder consultation and engagement, CSOs had been part of that process. IUCN was happy to engage with other institutions who may not have been involved. If CSO representatives wished to provide more names, IUCN would be happy to take this forward. As they moved towards the inception phase, they expected more stakeholder consultations and for more community-based organizations and indigenous peoples groups to become involved. Annex 9 of the project package provided a list of stakeholders' consultations and showed good evidence of county engagement and CSO engagement;

(d) With regard to the Kenya Meteorological Department, the IUCN had engaged with the Department recently during the independent TAP review and would be working together with them. Part of the project and budget would be going towards the data analysis and research on climate impacts, especially given the dearth of data on evapotranspiration;

(e) Regarding conflict and peacebuilding, IUCN was aware of the issue. There was a lot of cattle rustling during the drought seasons, with communities having to compete for resources. One of the service providers had been working in these areas and had been caught up in the conflict that went beyond the jurisdiction of the institution concerned. The project had not forcibly displaced any communities. IUCN was working with this service provider, primarily in the area of value chain work on the project. The project aimed to build resilience in this area, which could support peacebuilding;

(f) With regard to the CLA, IUCN would make sure that this was correctly referenced; and

(g) With regard to corruption risk, IUCN had an anti-money-laundering and countering the financing of terrorism (AML/CFT) policy in place. IUCN was also putting in place engagement with the government to make sure that the project management team was an IUCN team so that any issues regarding corruption or money laundering would be handled within IUCN systems. IUCN was open to proposals for further strengthening this process.

611. There being no further comments and no objections, FP113 was approved.

Funding proposal 114 titled "Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana", by the African Development Bank

612. The Co-Chairs opened funding proposal FP114 as contained in document GCF/B.23/02/Add.10.

613. A representative of the Secretariat introduced FP114, highlighting that the agricultural sector is a significant contributor to Ghana's gross domestic product and provides over 90 per cent of food needs. The agriculture, forestry and land-use sector is the largest source of greenhouse gas emissions. At the same time, farmers are very vulnerable to climate change. It is essential to address Ghana's limited financial lending availability for low emissions and climate-resilient agricultural activities. The focus on women was vital as they often lacked full control over agricultural practices. The programme established a loan facility through local financial institutions, such as Ecobank Ghana, can provide affordable loans to women-led micro, small and medium-sized enterprises (MSMEs) and farmer-based associations (FBAs) that would adopt low-emission and climate resilient agricultural practices, including minimum tillage, crop

rotation, drought-resilient seeds, solar pumps and irrigation systems. Additionally, technical assistance would help build capacity of local banks and women's groups to promote climate-resilient agricultural practices. This programme was shortlisted under the first MSME RFP pilot programme.

614. The total financing for the programme was USD 25.6 million, of which USD 20 million would be provided by GCF, including USD 18.5 million in loans and USD 1.5 million in grants. The remaining USD 5.6 million would be financed by local financial institutions in loans and through an in-kind contribution from the African Development Bank (AfDB). AfDB would also contribute to the programme through their risk-sharing facility.

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

Part 1

616. In the first round of comments there was strong support for the project with its focus on female entrepreneurs in rural Africa and aim to build resilience. However, several Board members expressed concerns regarding the choice of instrument.

617. The following specific comments were made.

618. A Board member stated that the project presentation should separate direct and indirect beneficiaries.

619. Another Board member welcomed the project as relevant to developing access to finance for women in rural MSMEs. They asked for more clarity on the affordability of the product for the beneficiaries. While the documentation stated that the loans would be affordable, the member wished to have more information on the terms and conditions attached to these. They also wished to know why the GCF intervention had been structured in the way it had rather than as a mix of guarantees and grants for technical assistance. They also asked why, given the AAA status of AfDB, it was not providing long-term financing.

620. A Board member, who also expressed support for the project, noted the importance of having local financial intermediaries to pivot towards climate finance investments and welcomed the support to MSMEs and hence the livelihood of vulnerable populations, including female entrepreneurs. They asked how access to finance consulting would be dedicated to climate-resilient investments, given the cross-cutting nature of the project.

621. A further Board member, while supporting the project, said that they had several questions that needed to be addressed before they could proceed with the proposal in its present form. They echoed an earlier Board member who had expressed reservations about the structuring of the project for which 90 per cent was in the form of loans; the rest of the funding was in the form of technical assistance with not a single cent going to women entrepreneurs in the form of grants. The Board member stated that this was very strange, given that the project focused on women, which the Board discussed extensively as part of the GCF Gender Policy. This was echoed by another Board member.

622. An active observer for CSOs welcomed the proposal's objective to empower vulnerable women's groups in Ghana's most vulnerable agro-ecological zone so they could participate in low-emission climate-resilient agriculture. However, there was little evidence of stakeholder consultations during the programme's development in the information disclosed on the GCF website. The observer reiterated a request made during earlier discussions on the non-disclosure of annexes to CSOs; without them they could not verify who had been consulted. Furthermore, they expressed concern at the lack of involvement of young people and of efforts to operationalize aspects of participatory monitoring.

623. The active observer indicated that some of the Climate Resilient Agricultural practices that the proposal sought to promote among women farmers, such as the promotion of hybrid

seeds, fertilizers and crop insurance, could be problematic as they would increase smallholder farmers' dependence on external inputs and thereby their vulnerability to climate change impacts. They also wished to note that Ghana had many open pollinated varieties developed by local scientists, which could give farmers good crop yields and enable them to control their seeds within their social and cultural settings. The proposal should therefore consider promoting farmer-managed seed systems with open pollinated varieties.

624. Furthermore, the active observer said that the proposal did not clearly define the terms for repayment of the loans, and it was unclear whether the Climate Resilient Agricultural practices that it proposed to finance would be affordable for local women and smallholder farmers. There was no indication of the interest rate or maturity of the loans, and thus the level of their concessionality. It was essential to ensure that the concessionality of finance provided to the AfDB and local financial institutions was fully passed on to beneficiaries. In the absence of this, they expressed concern that direct beneficiaries would be given loans to purchase fertilizers and insurance packages that would only increase their cost of production without corresponding increases in yields, coupled with other challenges that may arise.

625. With regard to risk assessment and management, the proposal only scratched the surface on the issue of land rights or access to land, which was a major problem for women in agriculture in developing countries. There were some initial measures to train and sensitize policymakers on issues related to land-reform legislation and on women rights, but more was needed.

626. Lastly, while there were efforts to ensure gender-responsive activities within the programme, it was important that such activities happened as a part of a differentiated situational analysis of the roles and relationships between men and women. Hence, sensitizing men to support efforts to promote gender equality had to be included and go beyond just letting "women fight for their own rights". The proposal should consider a much broader approach.

627. The Co-Chairs invited the AE and Secretariat to respond.

628. A representative of the AE stated that the programme structure was the outcome of the project design, which aimed to encourage and benefit women; AfDB had been working with authorities in Ghana to put this in place. The Ghana incentive resharing project had agricultural insurance, a credit guarantee and a digital finance platform. Several studies had shown that women did not have equal access to these and AfDB had partnered with GCF to ensure that this could happen. Loans were pertinent to private sector involvement in adaptation. The representative explained how the components would work to ensure women had equal access. Given land access issues in Ghana, the technical assistance component would address issues of access to land and inputs. With regard to climate resilience, throughout the value chain there is crop rotation along with improvement of access to drought-resistant yields. The representative stated that the suggestion from the active observer for CSOs on open pollinated varieties would be taken forward. On the processing side, women still use very primitive tools because of limited access to finance to afford locally manufactured milling machines. Furthermore, climate rationale was strong in terms of value addition, improving productivity and diversification, as well as ensuring women were empowered from the profits they received. Given that women were financially dependent on men, if a project improved their financial standing, then it empowered women. There was also a mitigation component in terms of the off-grid solar and biogas.

629. The Co-Chairs thanked the representative but wished to know why loans were being used, what the rates were and why GCF was involved, assuming loans were the right instrument.

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

(a) In respect of questions about loans, a risk guarantee facility would be provided by AfDB, which would act as collateral. There was still a need to provide concessional loans to MSMEs and FBAs to undertake agricultural activities. If there was any loss, the guarantee facility to be provided by AfDB would reduce the financial burden of MSMEs and FBAs;

(b) With regard to interest and tenor, they had not been disclosed due to their confidential nature. The programme would cap the interest rate provided to farmers to ensure they were affordable. AfDB would send two investment staff to work alongside local financial institutions to ensure the financing activities for the eligibility criteria and ensure the pricing was reasonable; and

(c) With regard to grants, a substantial proportion would be going to end beneficiaries, including MSMEs, FBAs and local financial institutions. There would be capacity-building efforts.

631. The Co-Chairs said that the responses had not fully answered the questions but that they would open the floor for further comments from Board members.

632. In the second round of comments, several Board members reiterated their concerns. The Board member who had raised a number of questions earlier, including as to why the proposal had been constructed in the way it had been, said that what they were now hearing was that AfDB guaranteed the lending while GCF was providing the liquidity; the role of GCF was not to provide liquidity. It was about providing risk absorption capacity and grants. A soft loan was a way to provide both of these, but when working with AfDB, which had the capacity to borrow long-term and to provide long-term financing, this was inappropriate. GCF had to use its limited capacity for liquidity wisely and they wished to understand the rationale for this approach. Furthermore, in terms of the disbursement of loans, how would this be done? Would GCF disburse, and when? In addition, when would AfDB disburse to local banks? The Board member observed that credit lines were most often used to finance banks' balance sheets and one never knew when they would disburse to end beneficiaries. The Board member supported the project, but it was essential to use the right tool.

633. A second Board member, while reiterating support for the project, stated that they were not ready to approve the project as it was presented. As far as confidentiality was concerned, this could easily be addressed by entering into an executive session. The Board member wished to know why women in Africa were being given loans as opposed to grants. The Board talked about gender, but the theory of gender needed to be applied in practice.

634. The Co-Chairs recapped that there were two separate questions. The first question was whether the instrument available to the end user was the right one, and the second was whether the GCF contribution to the provision of that instrument was correct.

635. This was echoed by another Board member who requested that the Board desist from considering the proposal and asked that it be converted into the public sector project and provided as a full grant. The programme had strong merits, given that it was adaptation-focused and its beneficiaries were women.

636. Another Board member said that they shared the concerns expressed about the project and about how it had been developed.

637. A further Board member said they had witnessed a reputable multilateral institution in Mongolia running an anti-poverty project, which included loans for artisans. At the end of the project, poor people had become poorer and indebted. This should not be the outcome of this programme.

638. The Co-Chairs asked the Secretariat to respond to two broad questions, namely whether the project would produce a product that was right for the women and what the role of GCF would be in optimizing GCF resources?

639. The representative of the Secretariat provided the following clarifications to these and other questions raised by Board members as follows:

640. Regarding whether the programme was affordable for the women themselves in the context of the finance sector in Ghana, the representative stated that most of the banking was in private hands, including the Commercial Bank of Ghana. There was a need to look at the financial system in totality and consider the key risks. There was a risk that MSMEs in general, as well as women, would not receive enough credit. Products needed were concessional loans and also equity. There was also a liquidity concern as one third of financial sector assets were government borrowing and Ghana had experienced hyperinflation in recent years. There was a need for liquidity and also for guarantees. The liquidity was important because the banks operating in rural areas had short-term money. The long-term tenor in the funding proposal addressed affordability, and concessions had to be passed on to end beneficiaries.

641. There was also a question regarding devaluation, as GCF was to provide a loan in United States dollars. This money would go to financial institutions in private hands, so grants were not appropriate. The concept was to use this product to make it cheaper and to target women-owned companies who could afford it; grants could then be given to other types of projects as there were grant-type projects in the agricultural sector. Agri-business in many larger African countries is not a non-profit-making activity. With regard to grants or loans, this could be addressed in the following session.

642. The Co-Chairs proposed to suspend the consideration of this funding proposal and asked the Secretariat to consult with concerned Board members.

643. A Board member reiterated their proposal that the project be converted to a public sector project. They wished to know if this was acceptable to the Board before the Secretariat undertook more work.

644. The Co-Chairs suggested that, while they were willing to put this question to the Board, it was unlikely as their proposal would be a major change to the original funding proposal. They also reminded the Board that a NOL had come from the NDA. It seemed inappropriate to completely alter the proposal on the spur of the moment.

645. A Board member raised a point of order to inform the Co-Chairs that another Board member had indicated a wish to intervene but had been overlooked.

646. The Co-Chairs invited the Board member to take the floor. The member expressed concern at any suggestion to defer the project. They asked how long it would take to convert it to a public instrument and whether it could be approved between meetings.

647. The Co-Chairs reminded the Board that this funding proposal had been put to the Board by the country's NDA.

648. A Board member raised a point of order. They opined that an NOL was a necessary requirement, but an NDA endorsement did not mean it could not be changed by the Board. Another Board member echoed this view.

649. The Co-Chairs said they were not implying it could not be changed, but that the Board must consider the proposal as presented to it.

650. A Board member reminded the Board that it had changed other projects in the past. They also proposed that, if the NDA was at the GCF headquarters, it would be very useful to speak to them.

651. The consideration of FP114 was suspended.

Part 2

652. The Co-Chairs reopened the item later the same day and informed the Board that a revised text had been circulated.

653. A representative of the Secretariat explained the revised proposal to convert USD 5 million of the original USD 18.5 million in loans to grants, especially for technology-related agricultural activities, and to keep USD 1.5 million for technical assistance in the original funding proposal. They asked the Board to authorize the Secretariat to reflect the changes in the FAA.

654. During the ensuing session there were a number of comments and questions from Board members.

655. Given that the original idea was for the loans to go to private financial institutions, a Board member wished to know what the grants would be used for and to whom the grants would go. They wanted to know if these grants were for private sector institutions or for the recipients of funding from these private sector institutions.

656. Another asked for details about the interest rate for farmers, which they said should be specified in the conditions. (They later retracted the question, having received information on the GCF interest rate of 1.25 per cent, which they considered very acceptable.)

657. Another Board member had a broader question. They wished to know what problem this revision was seeking to resolve and whether the Board was now saying that the original proposal was not fit-for-purpose. They wished to understand the process being considered by the Board.

658. Another, while appreciating the questions raised so far, had three further questions. First, would the project proponents consider this revision to be a major change to a project? They noted that the Board was talking about a 27 per cent difference in how GCF was handing its funding. Second, did the Co-Chairs regard making such a sudden change in the funding proposal as precedent-setting? Third, given the importance of country ownership, had the NDA, which had signed off on the original proposal, now been fully consulted? These three questions were echoed by a further Board member.

659. One Board member underlined the importance of getting the proposal right and of hearing whether the AE considered the change to be major. They also asked why USD 5 million was proposed and not some other amount.

660. The representative of the AE informed the Board that some women in Ghana were paying interest rates close to 30 per cent per annum; this was the baseline being used. Without GCF support, there was no way to support climate-resilient agriculture practices in Ghana and noted that the baseline did not reflect use of grants. The USD 5 million grant would help ensure the loans were very concessional, thus making the interest rate even lower. They confirmed that the new grants would benefit the final beneficiaries, not local financial institutions.

661. Regarding whether this was seen as a major change, a representative of the Secretariat said that the Secretariat assessed this as a minor change, as what was happening was moving a portion of the loan to a grant while generating the same impacts. Further clarity was provided by another representative of the Secretariat, who noted that private sector projects had a limitation on the amount of the grant. This was usually 5 per cent of overall GCF funding. The proposed USD 5 million grant would set a precedent that GCF could go higher in the future in these type of adaptation projects, even if, overall, it would make the project less expensive than originally conceived.

662. Following these responses, Board members made a series of further comments. Some Board members were of the view that the proposal should be adopted in its present (or, in one

case, original form). Others expressed concern that due diligence had not been done and more time was needed to consider the proposal. Some expressed opposition to any deferral, noting that the matter needed to be resolved at B.23 as it was an important project.

663. Specific comments included the following:

(a) One Board member opined that shifting from a loan to a grant should be welcomed, although they considered that the original proposal was fine. They observed that having this funding proposal discussion before the agenda item on concessionality made it difficult to consider the project. Furthermore, the increase in the technical assistance element from USD 1.5 million to USD 6.5 million represented a big change. Moreover, the money needed to be used smartly. They proposed that using the additional USD 5 million to subsidize interest and reduce the financial burden to women might be a better way forward; this proposal was supported by another Board member. There was a need for further consultation with concerned Board members to ensure the project maximized the use of the grants to meet the actual needs of women;

(b) Another Board member wished to better understand the quantitative impacts of lower interest rates to end borrowers from the additional USD 5 million in grants. They also wished to know how much lower the rates would be and therefore the amount of the additional subsidy; and

(c) A Board member who had asked earlier what problem GCF was seeking to resolve with this funding proposal reiterated their observation, noting that it was important for Board members to think about the best way to address the issue that the programme was seeking to address. The problem was lack of access to concessional finance for women-run MSMEs. How would the proposed change help solve the problem? This required in-depth analysis, including repayment capacity, resilience impacts, etc. It was necessary to understand why this was a better proposal.

664. The Co-Chairs noted that, as it appeared that the Board had not yet been fully informed of all the facts, the consideration of the proposal could not yet be concluded. At the same time there appeared to be a view among Board members that the proposal should do more to help the beneficiaries.

665. A Board member said they were ready to support the proposal in its current form. The Board had authorized the Secretariat, the independent TAP and others to satisfy the concerns raised, namely, to make it easier for women entrepreneurs in Africa, which they had done. The solution was to give a USD 5 million grant for technology to improve their businesses. The Board needed to show flexibility and translate the rhetoric on gender into a practical reality by supporting the proposal.

666. The Co-Chairs observed that the Board had to balance both its head and its heart. While it was clear that members were supportive of the project, at the same time the Board had to take care of every dollar of GCF money. They opened the floor for further comments.

667. Another Board member said that the Secretariat and the AE had conducted due diligence over many months and that the Board should not interfere with a “quick fix” in the Boardroom. The Board could provide general guidance, but it was not the project sponsor or the NDA. However, there was a need to have a better understanding of the proposed change and logic behind the design. It was important not to redesign the funding proposal, as this was not the responsibility of the Board.

668. The representative of the Secretariat noted that the 1.2 per cent interest rate provided to the Board member who had requested it was referring to the United States dollar rate. The Secretariat would consider whether the grant could cover the hedging costs and report back to the Board after the matter had been fully thought through.

669. The Co-Chairs requested the Secretariat to provide reassurance on all items raised by Board members and suggested it would be good to speak to the NDA. They proposed to return to the matter the following morning for a decision.

670. A Board member stated that they supported the changes but wished to put on record that while accepting that colleagues had requested more time to consider the matter, there were also other issues which required the Board's attention.

671. Another Board member suggested that the Co-Chairs put the revision to the Board for a decision rather than postponing it as nothing had fundamentally changed in the proposal. The professional staff had taken a look at the original proposal and quickly seen how it could be cleverly adjusted.

672. The Co-Chairs stated that it was their intention to put the proposal for decision the following morning.

673. Another member opined that the Secretariat had not faithfully explained what had been discussed in offline discussions. Many of the questions raised by Board members, such as why USD 5 million was the amount settled on and whether it was a major or minor change, had been raised by said Board member during these discussions. The independent TAP had provided information to concerned Board members but had not been given an opportunity to speak in the Boardroom. They requested that they be invited to explain to the Board when the matter was reconsidered the following morning. Most importantly, the technology grant had not been explained properly. This was of fundamental importance as this would change the nature of the project and make it better than in its original form. There needed to be much greater clarity as to where the USD 5 million would be going.

674. Other Board members reiterated the need to conclude the consideration of this funding proposal the following morning. One noted that it would look very bad if the Board approved all projects except one focused on women in Africa.

675. One Board member reiterated the importance of the project and stated that they were prepared to support it in the original version or the revised version. They were also prepared to defer the consideration of FP114 until the following morning on the understanding that if the original version was ultimately seen as the best way forward, the Board would approve it.

676. Another Board member opined that all that was needed was a further small revision to explain how the USD 5 million would be used, then the draft decision could be adopted.

677. The Co-Chairs suspended consideration of FP114.

Part 3

678. The Co-Chairs reopened consideration of FP114 on day three and informed Board members that a revised decision text was being circulated which provided a means to approve the project. However, they informed the Board that during the consultations, other matters had arisen that would need to be followed through in the appropriate manner for subsequent consideration by the Board.

679. They invited a Board member to provide an introduction to the draft decision before the Board.

680. The Board member informed the Board that consultations had been held with the Secretariat, the AE and a number of concerned Board members. They noted the improvement in the draft decision text and were prepared to take in good faith that what was written in the draft decision text would be honoured. The Secretariat had provided assurances in this regard. It was important to move this project forward and have it approved on the understanding that there was a need to look at how to support the most vulnerable groups through grants. The

Secretariat would work with the AE and NDA to better organize the grant component. They asked the Board to support the draft decision language circulated.

681. A Board member opined that the draft decision text had not been written in a strong manner. For example, the phrase "... recognizes that there is an opportunity to increase the grant component" was weak. It should ensure that the grant portion was increased, subject to the amount suggested by the AE. The Board member proposed the following text "… approves increasing the grant component to benefit the most vulnerable women and encourage the implementing entity, in consultation with the NDA, to consider using the policy for restructuring". The AE could come back to the Board with the proposed amount, which would reduce the interest rate.

682. Another Board member recognized the transformative and innovative nature of the proposal and expressed support for the revised draft decision. In particular, the project was of a type which sought to address issues faced by the business sector in West Africa, namely limited access to capital, short-term interest rates and high interest rates of up to 35 per cent.

683. GCF funding should provide the maximum opportunity to address the real issue confronting the private sector. They wished to know (1) the interest rate that GCF, the AE, and commercial banks would be bearing; (2) the amount of the recovery cost; and (3) the net impact on the final interest rate transferred to the end user. Based on consultations with the experts and the Secretariat, they fully supported the proposal with the revisions to the language proposed.

684. The Board member reminded the Board of a project approved at B.21 in Bahrain, where there was a reduction to the amount approved following consultations during the meeting. This showed that the Board were willing to make ad hoc adjustments where necessary to improve a funding proposal.

685. The Co-Chairs stated that the assessments of the Secretariat and the AE had already been carried out in Ghana, and appropriate authorities had been consulted in the formation of the project. However, it was clear that the Board was signalling that it should go further by way of concessionality and wished to investigate the right way to do that in consultation with the authorities in Ghana, instead of determining it during this Board meeting.

686. Regarding the changes proposed to the text, they asked the Secretariat to confirm if the amended text before the Board met the points raised by concerned Board members.

687. The representative of the Secretariat said they had clearly noted the Board's wish to increase the grant component. They would work with the AE and local financial institutions and come back to the Board with a clear proposal with increased concessionality, including how it would be structured and eligibility criteria for the beneficiaries for the grant portion. They would also consult with the NDA. The Secretariat would communicate fully with the Board.

688. The Board member who wished to revise the text reiterated their request that the text state: "… increase the grant portion of the GCF funding".

689. The Co-Chairs proposed amending it to read "… regarding possible increases of the grant portion".

690. The Board member said it needed to be clear that the principle was to increase the grant component, with the amount subject to proposals from the Secretariat.

691. The Co-Chairs confirmed that the text would therefore read, "Recognizes that there is an opportunity … regarding increasing the grant portion".

692. The Board member requested removing "possible options".

693. The Co-Chairs opined that there could be more than one way of achieving the Board's objective.

694. They suggested that the intention of the Board was to see "… options to improve the financial structure regarding increasing the grant component".

695. There being no further comments or objections, the draft decision was adopted based on the Co-Chairs' proposal.

Funding proposal 115 titled "Espejo de Tarapacá", by MUFG Bank, Ltd

696. The Co-Chairs opened funding proposal FP115 as contained in document GCF/B.23/02/Add.11.

697. A representative of the Secretariat introduced FP115, noting that the Board's proceedings on this funding proposal were being watched by the 500 citizens of San Marcos, a village close to the project site in the Tarapacá region. On behalf of GCF, the representative sent respects and appreciation. The representative highlighted that this was the first project from the MFS RFP and was rated among the top 30 out of 350 proposals received from that RFP, which asked for USD 18 billion in GCF financing. This was a call for proposals for bold investment ideas that mobilized funding at scale for climate initiatives in developing countries. Espejo de Tarapacá would be the first seawater pumped storage hydroelectric (PSH) project in the Americas, and, in combination with a solar photovoltaic plant, would offer clean renewable energy 24 hours a day, 7 days a week, addressing the key limitation of renewable energy. It was assessed as a highly impactful project that would be replicable in other countries. The PSH would produce 300 MW of clean electricity while the solar photovoltaic plant would produce 561 MW. Once completed, the project would help de-carbonize the national grid by replacing 5 per cent of the current fossil-based energy. The project also offered cross-cutting potential benefits and had strong private sector funds mobilization. For every USD 1 GCF was investing, it would enable the project to mobilize USD 18 dollars from private sources. The project size was USD 1.1 billion. GCF would invest USD 60 million in early equity.

698. The representative noted that it was not possible to have bold investment ideas without risk. GCF was underwriting the high development project risk that no strategic investors or any development finance institutions were willing to bear, including investing in the project before any power purchase agreements (PPAs) were secured. For the first time, GCF was assuming an early equity investor role and was addressing the financial, PPA, ownership, technology and ESS risks. However, many of these risks had been substantially mitigated. The project had also benefited from the geography of the Tarapacá region. The project sponsor had also been very careful about seeking early community support from the fishermen and female citizens of San Marcos. The project would create programmes to enable them to overcome the impacts that climate change had had on marine life and the lack of economic opportunity for the village's women to own their own businesses.

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

700. Several Board members welcomed the project as the first to come through the MFS RFP and commended its innovative nature, particularly in view of the support for innovation expressed during the Board's informal meeting immediately prior to B.23. One said that it was encouraging to see GCF financing directed to an innovative project that would leverage its significant private financing and have a transformational impact on the Chilean energy sector. It would also serve as a "proof of concept" for new technologies. Another expressed appreciation at the fact that the project was using an innovative seawater storage solution, and that it also benefited from the natural geographic characteristics of Chile. The funding proposal showed that GCF could be catalytic in taking high risks to support innovation. Furthermore, the member commended the project design. It used the right financial instrument (equity) and supported the shift of the project from the developmental phase to one capable of bidding for a PPA. Financing was focused on the innovative aspect. The project had the potential to unlock a significant amount of financing from private investors with the significant ratio of 1:18. There had been an

extensive analysis on ESS, including local community and marine life. While the project had its risks, this was nonetheless an example of how GCF financing could lift a project, support transformational outcomes and unlock significant private finance. As such it should be supported.

701. Noting that the AE would be able to step out from its equity position in the financing, one Board member wished to know to what extent the environmental and social standards would be maintained after GCF had stepped out.

702. A Board member who had expressed support for the innovative and transformative nature of the project for Chile's energy sector expressed serious concerns regarding ESS disclosure. The PSH, desalination, transmission lines and photovoltaic plant were all likely to have a significant impact on a protected area and its species. The environmental analysis provided in the disclosure package did not fully address the potential impact, such as that of the associated infrastructure (e.g. transmission lines and relocation of species). While noting that a significant environmental analysis was conducted in the project design, it was disappointing that more complete information had not been provided through environmental impact assessments on the AE website, or through documents on the website of the Chilean Government. The Board member underlined the importance of disclosure through the GCF website. There should be full and complete information on environmental impact, particularly for Category A projects, including those in the private sector. Given these information shortcomings, the United States was unable to support the project. However, due to the significant potential of the proposal's impact, the United States did not want to stand in its way. Thus, the United States, in light of its policies on ESIAs and disclosure for environmental risk Category A projects, objected to FP115 and abstained from participating in the consensus decision to finance the project. A Board member commended the flexibility articulated by the Board member.

703. Another Board member asked why a PPA had not been obtained.

704. An active observer for CSOs noted that, as this was the first project proposal presented for Board consideration under the MFS RFP of the PSF, it was important not only to look at the individual project itself but also at some of the procedural questions and concerns for equity investments under the MFS pilot going forward. Civil society observers were concerned that the PSF was essentially acting as a venture capitalist in the project as well as about the long-term impact and ramifications of the proposed approach.

705. It was therefore very important for clear guidance to be issued to ensure the compliance of the project beyond the time of GCF likely selling its equity stake (and with the likelihood that the relevant AE might likewise exit quickly from a project that continued to run for much longer). For example, this could be achieved by exploring the possibility that GCF could reduce its equity stake rather than exit projects entirely. This could be done in cases where there were ongoing risks to ensure that GCF standards and safeguards, including fiduciary standards and ESS, as well as gender and indigenous peoples policies and related GCF reputational risk, were not jeopardized beyond the main GCF/AE direct involvement.

706. The innovative approach of the PSH raised a number of concerns regarding the environmental and social impact of the projects over its projected 35-year lifespan. There was particular concern about the Pacific marine biodiversity in the area where the plant and water intake were placed, and for the livelihood of the people from the adjacent fishing villages who were dependent on it.

707. Although a number of ESIAs had been done, concerns remained that the impacts on marine biodiversity had been underestimated. The current wealth of marine biodiversity was underappreciated in the baseline assessments.

708. Furthermore, clarity was needed on the conditions and contracts for construction workers who would be involved; the contracts needed to comply with the International Labour Organization.

709. Civil society observers were concerned about the lack of clarity of the category, as the AE categorized the project as B while the PSF assessed it as A. Observers wished to make sure that the mitigation measures and monitoring protocols for the project were in line with the much higher due diligence required under Category A projects and mainstreamed throughout the project; this should not just be a matter for the initial disclosure.

710. The lack of a fully articulated grievance mechanism by MUFG Bank, Ltd. was also concerning; development of the mechanism should be a requirement going forward.

711. The active observer acknowledged the efforts that the executing entity, Energia Valhalla, had made in engaging the affected villages early on, including through agreements on benefit-sharing and support, such as the provision of desalinated water at cost for their use.

712. While acknowledging that there was a gender action plan, the observer noted that the proposed actions were restricted to the villages and only encompassed the first two to three years, while the project itself would last longer. Also, there was no commitment as to how women would take part in the decision-making process on the utilization of the proceeds of the benefit-sharing agreement.

713. Furthermore, civil society observers were concerned that the agreements might not be honoured and continued under the proposed majority ownership of the project by a strategic private equity investor, as more than one third of the projected project sum had yet to be found. As currently structured, there were no assurances that a future majority investor might honour covenants and agreements between the GCF and MUFG Bank, Ltd., let alone those with local communities. This was especially concerning given the likelihood that both GCF and MUFG Bank, Ltd. would exit the project after the projected five-year implementation period with the beginning of commercial operations in 2025. This also held true for other aspects of monitoring and reporting on the deliverables of the project once GCF liquidated its equity share in the project company.

714. The active observer for PSOs said they were very pleased to see this project come to the Board, not only because this was the first MFS project but also because of its innovative nature as the first renewable bulk energy storage facility in the Chilean electricity market. This created a precedent and a very important demonstration effect with potential scalability in terms of additional PSH plants and possibly further renewable energy assets using the same reservoir. It was potentially replicable in Latin America and other developing countries. It also demonstrated the capability of GCF to be a risk taker, very strikingly in this case, and a first mover; and it illustrated the unique capability of GCF to provide both significant risk capital and also support for the development of the local enabling environment in terms of policy, regulatory and institutional capacity.

715. The Co-Chairs thanked the active observers and invited the AE and the Secretariat to respond.

716. The AE (MUFG Bank, Ltd.) said that the ESS were a core value for the Bank and were crucial to its reputation as a major global financial institution. Espejo de Tarapacá was only the first of many projects that the Bank was delighted to support and co-invest in with GCF. Over the last nine months, MUFG Bank, Ltd. had invested in due diligence and analysis to understand the environmental and social risks of Espejo de Tarapacá, including a project site visit in Chile. The GCF Environmental and Social Specialists had rated this project as Category A. However, after detailed consultation, an on-site visit, exchanges with civil society and additional environmental reports, the Bank assigned the project as Category B. MUFG Bank, Ltd. had determined this rating based on its extensive experience of rating diverse projects in financing

transactions. It was important to note that, despite the difference in ratings, the project had fully complied with all GCF requirements for Category A projects, including public disclosure. As the AE for this project, MUFG Bank, Ltd. would continue working closely with the Secretariat to mitigate risks and meet its necessary ESS requirements for Category A projects. The representative expressed thanks to the Secretariat for providing great support in the ESS assessment.

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

(a) Regarding the comments from the Board member from the United States on the shortcomings of the ESS disclosure in English, the Secretariat would work with colleagues to address them. All studies on the desalination plant, transmission lines and marine biodiversity had been posted in Spanish on the website of the Chilean Environmental Service. The most important documents in the environmental impact assessment had been translated into English and had been posted in the websites of the AE, GCF and the project proponent, Energia Valhalla;

(b) The PPA market had only opened in the past two years, and, as such, the Board had recently approved a restructuring to the Atacama project (FP017: Climate Action and Solar Energy Development Programme in the Tarapacá Region in Chile). It had taken two years to complete the restructuring because there was no pre-existing PPA market. Recently BHP’s giant Tarapacá mine had opened the first large six terawatts per year call for proposals for renewable energy. This was of major significance because most of the other senior mines would follow. The Government of Chile would have additional PPAs in 2019 and 2020. There were also opportunities for transmission auctions in Chile. The market was difficult to navigate, but it was opening and becoming competitive;

(c) With regard to the exit and average holding of the GCF equity position, there was a misunderstanding; GCF was in no hurry to exit its position in 2025 or any specific date. The Secretariat had also been asked by the independent TAP when GCF would expect to exit its position. This was a 35-year investment and the decision on exit timing would be determined by the senior management team based on the completion of the GCF role;

(d) With regard to the honouring of agreements, there was an agreement signed between the community and company for the life of the investment (35 years). It would be managed under Chilean law and obligated the company to honour all the environmental, social and governance, fiduciary and other standards that GCF had shared with them. Energia Valhalla had sent a letter to GCF confirming that all reporting, monitoring and environmental, social and governance standards would be continued after GCF exited. Finally, GCF had negotiated a veto on the choice of strategic investor. The Secretariat would require that this investor honour and value the environmental, social and governance, fiduciary and other standards;

(e) With regard to the marine environment, two years of monitoring had demonstrated minimal impact; the evidence of similar projects in Japan had confirmed this evidence;

(f) GCF would apply Category A requirements on the project;

(g) With regard to the translation of other documents as they related to disclosure, this would be further considered by the Secretariat. There was scope to improve the sharing of information and annexes so long as commercially sensitive private sector information was protected; and

(h) With regard to the grievance mechanism, the project would benefit from upgrading its grievance mechanism, and the AE had already had discussions with an NGO regarding the upgrade of the current mechanism.

718. A Board member asked for clarification on the cost per MW of the construction and the estimated cost of operation for producing a MW.

719. The representative of the Secretariat informed the Board that the total cost of the plant was USD 1.1 billion. Photovoltaic energy would produce about 560 MW. Sixty per cent of that would be used during the day to pump water up to the reservoirs. Only 40 per cent of that would be for real production and generating profit, in addition to the 300 MW. Dividing USD 1.1 billion by 330 MW of net capacity results in around USD 3.3 per kW. This pricing and design are very competitive in the market.

720. The Board member who had requested this information noted that the project was very interesting and hoped that there would never be an occasion where GCF had less risk appetite than a private Japanese investment bank.

721. There being no further comments or objections, the Co-Chairs took it that the Board wished to the approve the project, noting the objection and abstention by the Board member from the United States as recorded.

722. There being no comments or objections, FP115 was approved.

Simplified approval process (SAP) funding proposal 007 titled "'Integrated Climate Risk Management for Food Security and Livelihoods in Zimbabwe focusing on Masvingo and Rushinga Districts", by the World Food Programme

723. The Co-Chairs opened SAP funding proposal 007.

724. A representative of the Secretariat introduced SAP FP007 as contained in document GCF/B.23/02/Add.12 and Add.14, requesting USD 8.86 million for a project aiming to improve the resilience and livelihoods of some of the most vulnerable groups in Zimbabwe, a country heavily reliant on rain-fed agriculture and affected by more erratic rainfall patterns due to climate change, through a comprehensive approach (the World Food Programme (WFP) R4 approach) piloted in several countries, including in a GCF-approved project in Senegal. The project would enhance the adaptive capacity to drought of 50,000 beneficiaries, particularly smallholder and food insecure farmers, by increasing the availability and usability of climate information, providing farming communities with resilient skills and assets to adapt their farming methods and introducing an innovative risk transfer mechanism through weather-based index insurance.

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

726. A Board member commended the funding proposal; it was an illustration of the kind of projects related to the impact of climate variations, using innovative mechanisms, that were needed in developing countries to ensure resilience and promote climate change adaptation. The approach taken by the AE (WFP) was a good example of how short-term rainfall variations could be addressed. It built on other successful projects in Africa, such as in Ethiopia, and it represented a good investment for GCF.

727. The member requested clarification on two points. First, what was the approach to provide long-term sustainability of the GCF investment going forward? Second, how was the project linked to greater efforts in the region through the African Risk Capacity (ARC) in providing these kinds of insurance mechanisms in respect of climate change?

728. A representative of the AE was invited to respond.

729. The representative informed the Board that in terms of providing long-term sustainability, based on lessons learned and previous experiences, the project focused on three main approaches. Firstly, it had inbuilt mechanisms, as the project was community-based and aimed to become self-sustaining (i.e. village savings and loan groups). The capacity of farmers

would increase and they would be linked to microfinance and other institutions. Secondly, market access and weather index-based insurance components relied on the private sector. WFP would be working closely with insurance companies to create a product that would provide a good level of cover for farmers. After the project ended (in four years), the farmers would be able to buy this for themselves. In this case, WFP had provided a way for these farmers, who were previously non-insurable, to be insured by weather-based index insurance. Thirdly, it relied on the public sector. WFP was introducing innovations into the social protection framework of Zimbabwe, which is currently under development. WFP was promoting the various components in this R4 approach to be scaled up and be considered in other parts of the country. The representative stated that WFP did not think of weather-based index insurance as a silver bullet; it was part of an integrated approach to a complex problem of food insecurity, climate change and livelihood improvements with WFP advocating for weather-based insurance to be part of the broader social protection system.

730. Regarding the second question, across the countries where WFP had similar approaches in weather index-based insurance, the proposal was to link up on macroeconomic approaches such as the ARC. So far, there were no lessons to build on, but WFP looked forward to working with the Government of Zimbabwe as part of the ARC to enable WFP to see how best to link its micro level insurance to the macro level insurance of ARC.

731. There being no further comments and no objections, SAP FP007 was approved.

Consideration of the restructuring paper for FP015 titled "Tuvalu Coastal Adaptation Project (TCAP)", by the United Nations Development Programme

732. The Co-Chairs opened the item.

733. A representative of the Secretariat introduced the restructuring paper for FP015 contained in document GCF/B.23/13 titled "Consideration of restructuring paper for FP015 "Tuvalu Coastal Adaptation Project (TCAP) – RP1" and its addendum Add.01. This had originally been approved in June 2016 for approximately USD 36 million with UNDP as both the AE and the executing entity. The introduction also included an overview of the project and its structure, current implementation status of the project, rationale for proposed restructuring, proposed changes, reasons for the Secretariat's classification of the restructuring as a major change and the draft decision.

734. The Co-Chairs asked if this first product of the new restructuring policy could be approved.

735. A Board member expressed support for the revision and commended Tuvalu and UNDP for taking action to enhance the impact of the funds that GCF would be providing. Since this was the first restructuring to come before the Board, the Board member wished to put on record that all restructuring proposals had to be compliant with all applicable GCF standards and policies. For example, if this triggered new safeguards standards to be applied or required additional due diligence, the major revision request going to the Board should be accompanied by completed ESIAs and other related documentation. Furthermore, as per the Information Disclosure Policy, they should be disclosed 30 days prior to Board consideration of Category B proposals.

736. An active observer for CSOs expressed appreciation that, as good practice, all documents on the proposed restructuring had been shared in advance with observers (for only the second time), enabling the public to be involved. They commended adherence to the preparation of a strong new ESIA, as envisaged in the restructuring policy, as a key next step, before physical measures were implemented. Gender, environmental and social assessments on land acquirement and the changing marine environment and habitat due to reclamation and construction of infrastructure should be part of the ESIA.

737. The Co-Chairs expressed thanks for the statements.

738. There being no further comments and no objections, the draft decision was adopted.

739. The Board took note of document GCF/B.23/02 and its addenda Add.01–Add.09 and Add.12 (general distribution); Add.10 and Add.11 (confidential distribution) and Add.13 and Add.14 (limited distribution) titled "Consideration of funding proposals". It also took note of document GCF/B.23/13 and its Add.01 titled "Consideration of restructuring paper for FP015 'Tuvalu Coastal Adaptation Project (TCAP)' – RP1".

740. The Board adopted the following decision:

DECISION B.23/10

The Board, having considered document GCF/B.23/02 titled "Consideration of funding proposals":

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

(i) *Funding proposal 107 titled "Supporting Climate Resilience and Transformational Change in the Agriculture Sector in Bhutan", by the United Nations Development Programme, as contained in document GCF/B.23/02/Add.01 and Add.14;*

(ii) *Funding proposal 108 titled "Transforming the Indus Basin with Climate Resilient Agriculture and Water Management", by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.23/02/Add.02 and Add.14;*

(iii) *Funding proposal 109 titled "Safeguarding rural communities and their physical and economic assets from climate induced disasters in Timor-Leste", by the United Nations Development Programme, as contained in document GCF/B.23/02/Add.03 and Add.14;*

(iv) *Funding proposal 110 titled "Ecuador REDD-plus RBP for results period 2014", by the United Nations Development Programme, as contained in document GCF/B.23/02/Add.04 and Add.14;*

(v) *Funding proposal 111 titled "Promoting climate-resilient forest restoration and silviculture for the sustainability of water-related ecosystem services", by the Inter-American Development Bank, as contained in document GCF/B.23/02/Add.05 and Add.14;*

(vi) *Funding proposal 112 titled "Addressing Climate Vulnerability in the Water Sector (ACWA) in the Marshall Islands", by the United Nations Development Programme, as contained in document GCF/B.23/02/Add.06 and Add.14;*

(vii) *Funding proposal 113 titled "TWENDE: Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands", by the International Union for Conservation of Nature, as contained in document GCF/B.23/02/Add.07 and Add.14;*

(viii) *Funding proposal 114 titled "Program on Affirmative Finance Action for Women in Africa (AFAWA): Financing Climate Resilient Agricultural Practices in Ghana", by the African Development Bank, as contained in document GCF/B.23/02/Add.10;*

(ix) *Funding proposal 115 titled "Espejo de Tarapacá", by MUFG Bank, Ltd., as contained in document GCF/B.23/02/Add.11; and*

(x) *Simplified approval process (SAP) funding proposal 007 titled "'Integrated Climate Risk Management for Food Security and Livelihoods in Zimbabwe focusing on*

Masvingo and Rushinga Districts", by the World Food Programme, as contained in document GCF/B.23/02/Add.12 and Add.14;

(b) *Approves funding proposal 107 for the amount of USD 25,347,194, submitted by the United Nations Development Programme, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(c) *Also approves funding proposal 108 for the amount of USD 34,990,832, submitted by the Food and Agriculture Organization of the United Nations, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(d) *Further approves funding proposal 109 for the amount of USD 22,356,805, submitted by the United Nations Development Programme, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(e) *Approves funding proposal 110 for the amount of USD 18,571,766, submitted by the United Nations Development Programme, subject to the conditions set out annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(f) *Also approves funding proposal 111 for the amount of USD 35,000,000, submitted by the Inter-American Development Bank, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(g) *Further approves funding proposal 112 for the amount of USD 18,631,216, submitted by the United Nations Development Programme, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(h) *Approves funding proposal 113 for the amount of USD 23,152,082, submitted by the International Union for Conservation of Nature, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(i) *Also approves funding proposal 114 for the amount of USD 20,000,000, submitted by the African Development Bank, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.10; and*

(i) *Recognizes that there is an opportunity to explore further options to improve the financial structure regarding increasing the grant portion of the GCF funding, to the benefit of the most vulnerable women; and encourages the accredited entity, in consultation with the national designated authority, to consider using the Policy on Restructuring and Cancellation to amend funding proposal 114 accordingly;*

(j) *Further approves funding proposal 115 for the amount of USD 60,000,000, submitted by MUFG Bank, Ltd., subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.11;*

(k) *Approves simplified approval process (SAP) funding proposal 007 for the amount of USD 8,858,316, submitted by the World Food Programme, subject to the conditions set out in annex XI and in the respective term sheet set out in document GCF/B.23/02/Add.14;*

(l) *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 the GCF with accredited entities and other parties involved in respect of funding proposals approved by the Board, taking into account any condition approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and*

(m) *Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.*

741. The Board also adopted the following decision:

DECISION B.23/12

The Board, having considered document GCF/B.23/13 titled "Consideration of restructuring paper for FP015 'Tuvalu Coastal Adaptation Project (TCAP)' – RP1" and its addendum Add.01 titled "Consideration of restructuring paper – Addendum I":

(a) *Takes note of the restructuring paper for FP015 titled "Tuvalu Coastal Adaptation Project (TCAP)", by the United Nations Development Programme, as contained in document GCF/B.23/13/Add.01;*

(b) *Approves the major change to FP015 described in the restructuring paper for FP015, subject to the conditions set out in annex VI to this document; and*

(c) *Reaffirms that, pursuant to the Policy on Restructuring and Cancellation, the Secretariat is authorized to negotiate and execute the amendment to the funded activity agreement for FP015, which shall reflect the major change described in the restructuring paper for FP015 and the list of conditions set out in annex VI to this document.*

Agenda item 21: Consideration of accreditation proposals

742. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/04 and its limited distribution addenda Add.01 and Add.02 titled "Consideration of accreditation proposals".

743. With reference to the Policy on Ethics and Conflicts of Interests for the Board, the Co-Chairs invited any Board members who wished to recuse themselves from deliberations related to any entity to do so.

744. The Board member from Canada, Ms. Szabo, stated that she wished to recuse herself from making interventions regarding Applicant 089.

745. The Board member from Brazil, Mr. Reinaldo Salgado, noted that Applicant 086 was the Brazilian Development Bank. Given that he was not an employee of that company, he was unsure if his participation in the discussion would contravene GCF policy.

746. The Head of the Ethics and Audit Committee, Mr. Shasly, clarified that the Policy on Ethics and Conflicts of Interest did not preclude anyone from participating in Board discussions. Board members were merely required to declare any potential conflicts of interest.

747. The Co-Chairs invited a representative from the Secretariat to introduce the item.

748. The representative provided an update on the status of accreditation including:

(a) The accreditation pipeline as at 30 June 2019;

(b) The status of AEs seeking an upgrade in their accreditation scope as at 30 June 2019;

(c) The approach of the Secretariat and Accreditation Panel in line with decision B.21/16, paragraph (e) to prioritize the applications of certain types of entities. This prioritization was due to conclude at B.23;

(d) In-depth readiness support to DAEs for pre-accreditation;

(e) Support for accredited DAEs, including potential visits to GCF Headquarters to provide in-person guidance on strengthening programming; and

(f) An overview of recommended entities at B.23.

749. The Co-Chairs invited the Chair of the Accreditation Panel, Ms. Anastasia Northland, to provide a brief overview.

750. The Chair of the Accreditation Panel made the following remarks:

(a) Six entities were being presented to the Board, four of which were new entities being recommended for accreditation. In addition, two AEs were seeking an accreditation upgrade. Of the four new entities, three were DAEs (including one private sector DAE) and one was an IAE. Two of the recommended entities were the first DAEs from countries that did not have an AE. The new entities represented a good regional distribution;

(b) The entities operated across a broad range of activities and were being recommended for various accreditation types, environmental and social risk categories and intermediation functions. The fit-for-purpose approach continued to provide the flexibility needed to match the objectives and capacities of entities with the objectives and requirements of GCF; and

(c) The Accreditation Panel and the Secretariat continued to work closely with entities to minimize the number of conditions placed on accreditation. However, owing to gaps at the institutional level, some conditions had been proposed related to fiduciary, environmental, social and gender standards.

751. An active observer for CSOs said that they would submit written comments regarding one recommended entity to the Secretariat, given that the Board was considering the proposals as a batch. They welcomed the recommendations for additional DAEs and wished to see this translated into increased volumes of funding flowing through direct access. They were also pleased to see applications to upgrade accreditation provisions from two existing DAEs so that these would be able to disburse GCF funding via grant award and funding allocation mechanisms. As this was a requirement for the enhancing direct access pilot programme, the observer hoped to see the number of approved enhancing direct access proposals grow. Noting deficiencies in one AE regarding the integration of gender equality in its environmental and social management system, the observer called for entities to continue enhancing their compliance systems even after an accreditation upgrade. They also highlighted further shortcomings in some of the entities in relation to the adequacy and accessibility of grievance mechanisms and the disclosure of ESS.

752. The Chair of the Accreditation Committee, Mr. Muyungi, thanked the Secretariat and the Accreditation Panel for their hard work and recommended the entities presented to the Board. Speaking as a Board member, he highlighted the importance of making the accreditation process more efficient in view of the large number of entities in the pipeline. He further appealed to the Accreditation Panel to bring forward at least eight entities for approval at B.24, given that the updated accreditation framework and the PSAA, if approved at B.23, would not come into effect until the beginning of 2020 (these approaches were not adopted at B.23, see agenda item 15).

753. The Co-Chairs noted the Board member's comments and invited the Board to approve the draft decision.

754. There being no further comments and no objections, the draft decision was approved.

755. The Board took note of document GCF/B.23/04 and its limited distribution addenda Add.01 and Add.02 titled "Consideration of accreditation proposals".

756. The Board adopted the following decision:

DECISION B.23/13

The Board, having considered document GCF/B.23/04 titled "Consideration of accreditation proposals":

(a) Takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants:

(i) Applicant 086 (APL086) is the Banco Nacional de Desenvolvimento Econômico e Social (BNDES, the Brazilian Development Bank), based in Brazil, as contained in annex IV of document GCF/B.23/04;

(ii) Applicant 087 (APL087) is the Ministry of Water and Environment (MWE) of Uganda, as contained in annex V of document GCF/B.23/04;

(iii) Applicant 088 (APL088) is Ecobank Ghana Limited (EGH), based in Ghana, as contained in annex VI of document GCF/B.23/04; and

(iv) Applicant 089 (APL089) is Enabel, based in Belgium, as contained in annex VII of document GCF/B.23/04;

(b) Accredits applicants APL086, APL087, APL088 and APL089 pursuant to paragraph 45 of the Governing Instrument for the GCF, and subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants;

(c) Takes note with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants seeking to upgrade their accreditation type:

(i) Infrastructure Development Company Limited (IDCOL), based in Bangladesh, as contained in annex VIII of document GCF/B.23/04; and

(ii) Secretariat of the Pacific Regional Environment Programme (SPREP), based in Samoa, as contained in annex IX of document GCF/B.23/04;

(d) Agrees to upgrade the accreditation type of the Infrastructure Development Company Limited (IDCOL) as contained in decision B.17/05, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex VIII of document GCF/B.23/04;

(e) Also agrees to upgrade the accreditation type of Secretariat of the Pacific Regional Environment Programme (SPREP) as contained in decision B.09/07, paragraph (b), subject to, and in accordance with, the assessment by the Accreditation Panel contained in annex IX of document GCF/B.23/04;

(f) Takes note that, pursuant to decision B.08/03, paragraph (k), and that the entity, as contained in paragraph (a)(ii) above and listed in annex VII, was reviewed under the normal track as per the assessment contained in annex V of document GCF/B.23/04, 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 VII; and

(g) Decides that those entities referred to in annex VII are also eligible to apply under the fast-track accreditation process for the standards of GCF in accordance with decision B.08/03, paragraph (g), for entities under the Adaptation Fund.

Agenda item 22: Risk management framework

(a) Compliance risk policy

757. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/06 titled "Risk management framework: compliance risk policy – Proposal by the Risk Management Committee". They invited a representative from the Secretariat to introduce the document.

758. The representative explained that the document was part of a suite of policies aimed at supporting the risk types identified by the Board. Three of these policies had already been adopted at B.19. The compliance risk policy would safeguard the reputation of GCF and cover both internal and external compliance breaches as set out in the risk register adopted by the Board at its seventeenth meeting. It would enable the Board to discharge its duties and provide assurance to stakeholders. The representative underlined that it was a living policy and not prescriptive. The policy did not include any terminology related to sanctions.

759. A Board member said that the Secretariat must consult with the Independent Integrity Unit (IIU) on the development of risk indicators given that the IIU had been mandated under agenda item 23(a) to interpret the Standards for the Implementation of Anti-Money Laundering and Countering the Financing of Terrorism. (Agenda item 23(a) had been considered before the current item.)

760. Another Board member voiced their appreciation for the consultations undertaken by the Risk Management Committee with Board members in developing this policy. They underlined that the only legally binding financial sanctions were those currently imposed by the United Nations Security Council in relation to AML/CFT.

761. A further Board member requested that the Secretariat confirm that the current policy did not establish any new standards.

762. The representative of the Secretariat confirmed that the policy did not introduce any new standards; its purpose was to enable GCF to manage compliance risks.

763. The Co-Chairs invited the Board to adopt the decision.

764. There being no further comments and no objections, the Board took note of document GCF/B.23/06 titled "Risk management framework: compliance risk policy – Proposal by the Risk Management Committee".

765. The Board adopted the following decision:

DECISION B.23/14

The Board, having reviewed document GCF/B.23/06 titled "Risk management framework: compliance risk policy – proposal by the Risk Management Committee":

Adopts the risk management framework component VIII – compliance risk policy, as set out in annex VIII.

Agenda item 23: Integrity policies

(a) Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy

766. The Co-Chairs opened the item and drew the attention of the Board to document GCF/B.23/22 titled "Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy". They informed the Board that the document had been published the previous evening following a meeting of the Ethics and Audit Committee, where it had been endorsed by the Committee's Chair.

767. They invited the Board to adopt the draft decision contained in the document.

768. A Board member made a number of comments relating to references in GCF documents to sanctions and embargoes and the application of these by GCF and AEs. They explained that they were speaking as a representative of the interests of the Asia-Pacific region and of developing countries. Their comments also applied to agenda items 6, 7 and 22(a). They said that activities to mitigate and adapt to the impacts of climate change should not be penalized by reference to unilateral sanctions or embargoes, or to financial sanctions imposed by the United Nations Security Council, which had been enforced on political grounds and for reasons not related to AML/CFT. Access to GCF resources on the part of any developing country should not be prohibited on this basis. The Board member would act to avoid the transformation of GCF from a financial mechanism under the UNFCCC to a body that served the foreign policy interests of individual countries. GCF should not act as such a body and was not mandated to implement United Nations sanctions through United Nations resolutions or any other international agreement. The Board member said that GCF should act only according to its mandate under the UNFCCC and the Paris Agreement, which did not permit it to recognize financial sanctions that would prohibit or limit access to GCF funds. The G77 and China had rejected uniliteral sanctions and coercive measures in various statements delivered to the COP. Such measures imposed on political grounds, including financial sanctions, were beyond the scope of the GCF AML/CFT Policy. They were contrary to the principle of cooperation in good faith that underpinned the UNFCCC and prevented developing countries from exercising their right to development, implementing climate programmes and contributing to the goals of the Convention.

769. The Board member proposed that a definition be added to the standards document to specify that financial sanctions were those currently imposed through United Nations Security Council resolutions in relation to AML/CFT. They further proposed that the final part of paragraph 9.03(b) of the AMA template be changed from "by a financial sanction of the United Nations or other relevant sanctioning authorities" to refer only to financial sanctions of the United Nations Security Council relating to AML/CFT.

770. The Board member explained that the aim of the suggested language was to ensure access to GCF funds for any developing country and enable the Secretariat to take a coherent approach across GCF documents and templates, including AMAs. The proposal was an attempt to conclude discussions with the Ethics and Audit Committee and the Risk Management Committee on the scope and definition of sanctions and embargoes. The Board member informed the Board that the Risk Management Committee had agreed to the update to the AMAs so that the Secretariat could continue to advance the signing of AMAs without delay. They thanked the members of the Risk Management Committee and the Secretariat for their hard work in resolving the matter.

771. The Co-Chairs thanked the Board member for their comments. Noting that the proposal involved substantive changes to the document, they called on the Risk Management Committee to continue consultations on the margins of the meeting.

772. The item was suspended.

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

774. A Board member raised a point of order. Noting that they had observed someone taking a photograph in the Boardroom, they called on participants at the meeting to refrain from such actions without asking the permission of the people who would appear in the picture.

775. The Co-Chairs noted that document GCF/B.23/22 had been amended to address the concerns of the Board member who had spoken in the first session. They invited a Board member who had been involved in revising the document to explain the changes.

776. A Board member explained that the Secretariat had encountered difficulties reflecting the provisions of the AML/CFT Policy in the AMA template. On this basis, changes had been made to paragraph (d) of the current draft decision to provide the Secretariat with explicit guidance to ensure that amendments to the AMA template were consistent with the AML/CFT Policy. In the new proposed wording for paragraph 9.03(a) in the AMA template, the word "embargoes" had been removed on the basis that it was not used in the AML/CFT Policy or any other policy. In addition, a reference to the United Nations Security Council had been added following the request of a Board member. This had been agreed upon by Board members who had initially raised concerns regarding the addition. The proposed new wording for paragraph 9.03(b) had been approved by the Risk Management Committee.

777. The Board member explained by way of background that the standards had been developed to operationalize the AML/CFT Policy. In developing them, it had become clear that further details of the operationalization would need to be set out in standard operating procedures. They reiterated for the record that there was no reference to financial embargoes in the document; it only referred to financial sanctions. This should apply to all relevant documents, and, if needed, these should be brought to the Board for adjustment. The General Counsel had requested the explicit guidance of the Board in this matter. In addition, the Board member noted that the Office of Risk Management and Compliance had developed risk indicators for the consideration of projects that went beyond the scope of the AML/CFT Policy. It was important that the Secretariat consult with the IIU on the development of those indicators given that the IIU had been delegated by the Board to oversee the interpretation of the AML/CFT Policy and standards for the implementation of the anti-money laundering and countering the financing of terrorism policy. It was regrettable that the indicators had been developed before the Policy had been operationalized and the standards adopted by the Board. The Board member was willing to adopt the draft decision as presented. Another Board member expressed support for the point regarding indicators.

778. The Board member who had proposed the change to paragraph 9.03(b) of the AMA template requested the addition of the phrase "with respect to the GCF AML/CFT Policy" after "United Nations Security Council".

779. Two Board members said that they were willing to adopt the draft decision but without the addition proposed regarding AML/CFT. Noting that the document had gone through many iterations, the chair of the Ethics and Audit Committee, Mr. Stefan Schwager, urged the Board member proposing the addition to approve the draft decision in its current form. He stressed that there was a reluctance within the Committee to continue consultations on the matter.

780. The Co-Chairs asked the Board member proposing the addition if they would be willing to adopt the draft decision without it. If not, the item would be deferred.

781. The Board member said that in the spirit of compromise they were willing to accept the draft decision in its current form. However, they wished to state for the record that it was important to ensure access to GCF resources for developing countries. They also said that based on their understanding and that of many other Board members, the only sanctions that were applicable to GCF documents and methodologies were those of the United Nations Security Council relating to AML/CFT.

782. A Board member said that the current discussion had far-reaching consequences for several of the countries engaging with GCF. As background, they recalled that the United States had reimposed sanctions on the Islamic Republic of Iran after withdrawing from the Joint Comprehensive Plan of Action. As a result, the European Union was designing an alternative payment system so that companies could continue to trade with the Islamic Republic of Iran and

avoid the threat of those sanctions. The Board member stated that it was therefore beyond the scope of responsibility of the Board to decide that the extra addition to the AMA template was not appropriate. The Board should ensure that no sanctions were introduced into GCF policies that were illegal and that criminalized third parties.

783. The Co-Chairs asked the Board member if they were opposed to the approval of the draft decision in its current form.

784. The Board member said that they were opposed to its approval and called for the paragraph to be reworded. It was inappropriate to remove the reference to the United Nations Security Council sanctions given that these represented international law.

785. The Co-Chairs urged the Board member to approve the draft decision given that the Board members who had consulted on additions to the text, and were therefore most familiar with its content, were now in agreement. They called on the General Counsel to clarify the extent of the provisions contained in the draft decision in order to provide reassurance to the Board member opposing approval.

786. The General Counsel drew attention to three components in the proposed amended version of paragraph 9.03 of the AMA template: if an AE was prohibited by national law from making a payment, then it was obliged to comply with that law; a payment should not be made if it would contravene a decision of the Board, whereby that decision would be expected to comply with international norms; it should also not be made if it conflicted with a decision of the United Nations Security Council, which was part of international law. Outside these constraints, AEs would be at liberty to use GCF funds.

787. The Board member who had raised the concern requested clarification on whether the proposed text referred to national law, international law and the United Nations Security Council sanctions.

788. The General Counsel confirmed that it referred to national law, to decisions of the Board, which would be expected to comply with international law, and United Nations Security Council sanctions. They said that their explanation had served to clarify the content of the amended paragraph, but that these references were already contained within it.

789. The Board member requested that these clarifications be included in the text.

790. The Co-Chairs stressed that the explanation of the General Counsel had not contained information that was not already in the decision.

791. Noting that the proposed text would be integrated into a legal agreement, the General Counsel added that it was important to use the correct legal terminology.

792. The Board member requested clarification regarding the wording of the previous paragraph, 9.03(a), which currently referred to financial sanctions and embargoes and therefore had a broad application.

793. The General Counsel said that the current decision already proposed to amend this language so that it read “financial sanctions imposed by the United Nations Security Council”.

794. The Co-Chairs proposed to suspend the item for further consultations and clarifications.

795. After a short pause to discuss the matter on the margins of the meeting, the Board member who had voiced concerns lifted their opposition to the draft decision text.

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

797. There being no further comments or objections, it was so adopted.

798. The Board took note of document GCF/B.23/22 titled “Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy”.

799. The Board adopted the following decision:

DECISION B.23/15

The Board, having considered document GCF/B.23/22 titled "Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy":

(a) Adopts the "Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy" contained in annex IX;

(b) Reiterates its request (decision B.14/01, paragraph (f)) for the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency;

(c) Requests the Secretariat and the Independent Integrity Unit to develop standard operating procedures, subject to the approval of the Ethics and Audit Committee, to operationalize these Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy and the Anti-Money Laundering and Countering the Financing of Terrorism Policy in 2019 as a matter of urgency; and

(d) Also requests the Secretariat to implement the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy, the Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy, the Policy on Prohibited Practices and other integrity-related matters in a coherent manner while fully respecting the scope and provisions of the respective policies, and further requests the Secretariat to amend the accreditation master agreement template, as approved by the Board in decision B.12/31, to ensure consistency with the scope of the Anti-Money Laundering and Countering the Financing of Terrorism Policy such that clause 9.03(a) reads as follows:

> *apply its own fiduciary principles and standards relating to any 'know your customer' checks, AML/CFT, and financial sanctions imposed by the United Nations Security Council, which should enable it to comply with the Policy on Prohibited Practices and the principles of the AML/CFT Policy.*

and that clause 9.03(b) reads as follows:

> *unless prohibited by law applicable to the Accredited Entity, not use GCF Proceeds or Other GCF Funds for the purposes of any payment to individuals or entities, or for the import of goods, if such payment or import is prohibited by a Decision as may be adopted from time to time by the Board or by a financial sanction of the United Nations Security Council.*

(b) Updated Policy on the Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment

800. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.23/14 titled "Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment".

801. They invited the Head of the IIU, Mr. Ibrahim Pam, to introduce the document.

802. Mr. Pam gave a brief presentation highlighting the process of the development and negotiation of the draft updated policy. He highlighted the main objective of the policy, which was to extend to GCF counterparties the obligations to prevent, mitigate and remedy the occurrence of sexual exploitation, abuse and harassment in GCF-related activities, and to pass on the same obligations to their contracting parties.

803. The Co-Chairs thanked Mr. Pam for his presentation and invited the Board to adopt the draft decision.

804. A Board member requested clarification on which draft decision was being referred to.

805. The Co-Chairs said that the draft decision was contained in annex I to document GCF/B.23/14. There had been no changes to the draft decision.

806. There being no objections or comments, the draft decision was approved.

807. The Board took note of document GCF/B.23/14 titled "Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment".

808. The Board adopted the following decision:

DECISION B.23/16

The Board, having considered document GCF/B.23/14 titled "Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment":

(a) *<u>Adopts</u> the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment as set out in annex X to this document (the Policy);*

(b) *<u>Requests</u> the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend, as appropriate, the requirements placed on accredited entities in the relevant standards, safeguards and policies of the GCF so as to integrate the obligations set out in this Policy, including, but not limited to, the:*

(i) *Initial basic fiduciary standards, pursuant to decision B.07/02, paragraph (b);*

(ii) *Environmental and social safeguards, pursuant to decision B.07/02, paragraph (d), and decision B.19/10, paragraph (c), as relevant; and*

(iii) *Gender Policy and Gender Action Plan pursuant to decision B.09/11, paragraphs (a)–(b);*

and present to the Board for its consideration such updates and amendments no later than the twenty-fourth meeting of the Board as a matter of urgency;

(c) *<u>Also requests</u> the Secretariat, in consultation with the Head of the Independent Integrity Unit, to establish rules and procedures, as appropriate, in accordance with, and for the purpose of implementing, the Policy, and report to the Board on the actions no later than the twenty-fourth meeting of the Board;*

(d) *<u>Further requests</u> the Secretariat to assess the cost implications of the implementation of this Policy and submit to the Budget Committee a budget request for its consideration as required;*

(e) *<u>Requests</u> the Independent Integrity Unit to provide a report on experiences and lessons learned to the Board one year after the entry into effect of this Policy, which may include recommendations for how to improve the Policy and its implementation; and*

(f) *<u>Also requests</u> the Secretariat to report annually to the Board on the implementation of this Policy.*

(c) Cost implications of the implementation of the Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment

809. The Co-Chairs opened the sub-item and drew the attention of the Board to document GCF/B.23/15 titled "Cost implications of the implementation of the Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment", which had been transmitted to the Board on a limited distribution basis.

810. They invited a representative from the Secretariat to introduce the document.

811. The representative reminded Board members that the background to the Interim Policy on Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) was the discovery of significant sexual abuse and exploitation in the humanitarian sector. This had led GCF to approve a policy on SEAH, which was first introduced during B.22, and its updated version presented during B.23. Decision B.22/18 requested the Secretariat to assess the cost implications of the implementation of the SEAH Policy and submit to the Budget Committee a budget request for its consideration as required. The representative briefed the Board on the proposed budget, which had been extensively discussed with and approved by the Budget Committee. This budget was made up of four elements, three of which related to yearly costs and one to a one-off cost. These elements were: (a) background-checking; (b) communication plan and guidelines/procedures for implementation; (c) training and awareness-building; and (d) contingency. The yearly cost was up to USD 120,000 and a one-off cost for the communications plan of USD 30,000. The representative highlighted the background-checking of applicants to GCF, particularly those with some form of history associated with the matters covered by the SEAH Policy, was a specialized activity and required the use of external expertise. Regarding contingency, as a result of discussions with the Budget Committee, it had been decided to add USD 70,000 for contingency costs. It was noted that the SEAH Policy paper had highlighted the potential information requirements and assistance to any victims of SEAH activities. Finally, the draft decision was presented.

812. The Co-Chairs thanked the representative for their introduction. They reminded the Board that the costs presented had been thoroughly reviewed by the Budget Committee. They opened the floor for comments.

813. Noting the multicultural nature of the Secretariat, a Board member requested clarification on what training would be provided to GCF staff to raise awareness of issues relating to SEAH.

814. The representative from the Secretariat said that workshops and similar events would be offered because these forms of experiential learning were more suited to a multicultural environment.

815. Another Board member who was on the Budget Committee reported that the original budget requested for the activities presented had been reduced by half as a result of the Committee's review. This underlined the importance of submitting budget requests for policy items to the Committee and allowing sufficient time for it to carry out its work. It ensured that activities were rationalized and that funding was not taken away from projects and programmes.

816. The Co-Chairs invited the Board to adopt the draft decision contained in annex I to document GCF/B.23/15.

817. There being no further comments and no objections, the draft decision was so adopted.

818. The Board took note of document GCF/B.23/15 titled “Cost implications of the implementation of the Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment”.

819. The Board adopted the following decision:

DECISION B.23/17

The Board, having considered limited distribution document GCF/B.23/15 titled “Cost implications of the implementation of the Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment”:

(a) Approves the total budget of USD 90,000 for the year 2019 for the implementation of the Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment as set out in table 1 of document GCF/B.23/15; and

(b) Notes the limited experience of GCF in handling such cases and that the budgets provided are estimates. Therefore, both the Secretariat and the Independent Integrity Unit will need to monitor these budgets constantly to ensure that the policy continues to be enforced at the expected level.

Agenda item 24: Dates and venues of upcoming meetings of the Board

820. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.23/08 titled “Dates and venues of upcoming meetings of the Board”. A revised version of the draft decision contained in that document had been circulated to the Board. The Co-Chairs explained that, following consultations, the proposed dates for B.24 had now been moved from mid-October (decision B.BM-2018/18) to mid-November 2019. This would allow the Board to consider both the pledges and the package of replenishment documents at that meeting. (The original timing for B.24 would have had the Board considering the package of documents before the pledging conference. Several Board members had pointed out that the normal practice was for both to be brought to the Board for endorsement at the same time.) While the location, and hence date, for the pledging conference was not yet known, everyone would have to work to ensure that this took place in good time before B.24.

821. The Co-Chairs drew the attention of the Board to paragraph (a) of the revised draft decision, which contained the new dates of 12–14 November 2019. They further explained that the suggested dates for the twenty-fifth meeting of the Board were a couple of months into 2020 to allow time for the new commitment authority (resources available for funding decisions) to become available following replenishment.

822. They opened the floor for comments.

823. Regarding paragraph (e)(i) of the revised draft decision on the cost-benefit analysis for Board meetings held outside of the GCF Headquarters, two Board members who supported the organization of such meetings said that this analysis was unnecessary because it was already clear that meetings off-site were more expensive. One of these Board members said that the analysis would bolster the arguments of Board members opposing meetings outside Songdo but would not lead to a resolution of the matter. Several Board members underlined that off-site meetings brought a significant non-cost-related benefit in that they enabled increased interaction with GCF stakeholders who might feel removed from GCF operations if Board meetings were always held in Songdo. One of these Board members suggested that countries could be asked to provide support in arranging off-site meetings, and they said that these should be held once a year.

824. A Board member expressed support for the steps presented in paragraphs (e)(i) and (e)(ii) of the revised decision: the Secretariat should begin by analysing the costs and benefits of Board meetings held off-site and presenting options to the Board for engaging with stakeholders. The Board member said that these steps should be completed before developing guidelines for selecting venues and hosting such meetings. On that basis, they proposed deleting paragraph (e)(iii).

825. The Board member from Saudi Arabia noted with regret the disinclination of the Board to hold off-site meetings, which they inferred from the proposal to delete paragraph (e)(iii), as well as the fact that B.24 was also to be held in Songdo. They said that they had hoped to host a Board meeting in Saudi Arabia (although they could not yet commit to an invitation). They assured the Board that they did not intend to submit a funding proposal for a project in Saudi Arabia at such a meeting, a practice which had met with opposition from some Board members at previous meetings held outside the GCF Headquarters.

826. The Co-Chairs highlighted that the draft decision did not state the venue of the third meeting of 2020. Regarding paragraph (e), they said that the intention was to collect data to inform Board decision-making. For clarification, they asked the Board member proposing the deletion of paragraph (e)(iii) if this suggestion had been made without prejudice regarding the outcomes of the analysis of off-site meetings.

827. The Board member who had proposed the deletion said that this was the case. They had requested the removal of the paragraph to achieve the correct sequence: it was premature to develop guidelines before costs, benefits and options had been analysed.

828. Several other Board members said that they opposed the deletion of paragraph (e)(iii). One of these argued that its inclusion did not affect the sequence in which the Secretariat would perform the steps, given that these had been numbered. Noting the tenor of paragraphs (i) and (ii), another Board member said that by removing paragraph (iii) the Board would signal that it did not wish to hold meetings outside Songdo.

829. Several Board members noted that they came to B.23 directly from the Bonn Climate Change Conference (the “intersessional” meeting). This had been tiring and had posed a challenge in terms of preparing for the Board meeting. Two of these Board members requested that B.24 be brought forward to the start of November so that Board members participating in COP 25 in Chile would have time to rest and to complete work in their countries. Another Board member said that they could accept the proposed dates but added that it would have been a good idea to hold B.24 in Chile just before the COP. A further Board member asked for the timing of the twenty-sixth meeting of the Board (B.26) to take into account the dates of the 2020 intersessional meeting. One Board member welcomed the fact that the timing of Board meetings in 2019 had been kept open to allow flexibility for the replenishment process, however, they supported the setting of specific dates going forward to permit planning. Another Board member asked for more time to check whether the suggested dates for Board meetings in 2020 coincided with important events in the Islamic calendar.

830. The Co-Chairs said a Board meeting in the first week of November would clash with the 31st Meeting of the Parties to the Montreal Protocol. While they acknowledged the extra effort required of Board members, they underlined that it was important to give the Secretariat sufficient time to prepare Board documents for B.24 following the pledging conference. They said that the timing of B.26 proposed in the draft decision allowed time after the 2020 intersessional meeting in Bonn. The Co-Chairs further recalled that the current meeting had been moved to allow Board members time to recover from this year’s meeting in Bonn. They invited the Board to adopt the draft decision without paragraph (e)(iii) on the understanding that the requests made of the Secretariat in paragraph (e) did not imply a specific position of the Board regarding off-site meetings.

831. As a courtesy to incoming Board members at the end of the year, a Board member requested that the dates for meetings in 2020 be kept flexible. Another Board member stressed that the guidelines on off-site meetings would help the Board understand how to select venues.

832. The Co-Chairs said that the majority of Board members required certainty regarding the dates of Board meetings. They added that there would be another opportunity to commission the guidelines once the Secretariat had gathered information requested under paragraphs (e)(i) and (e)(ii).

833. There being no objections and no further comments, the draft decision was adopted.

834. The Board took note of document GCF/B.23/08 titled "Dates and venues of upcoming meetings of the Board".

835. The Board adopted the following decision:

DECISION B.23/18

The Board, having considered document GCF/B.23/08 titled "Dates and venues of upcoming meetings of the Board":

(a) <u>Decides</u> that the twenty-fourth meeting of the Board will take place from Tuesday, 12 November to Thursday, 14 November 2019 in Songdo, Incheon, Republic of Korea;

(b) <u>Also decides</u> that the twenty-fifth meeting of the Board will take place from Tuesday, 10 March to Thursday, 12 March 2020 in Songdo, Incheon, Republic of Korea;

(c) <u>Further decides</u> that the twenty-sixth meeting of the Board will take place from Tuesday, 23 June to Thursday, 25 June 2020 in Songdo, Incheon, Republic of Korea;

(d) <u>Decides</u> that the twenty-seventh meeting of the Board will take place from Thursday, 22 October to Saturday, 24 October 2020;

(e) <u>Requests</u> the Secretariat to present the following for consideration by the Board at its twenty-fifth meeting:

(i) A cost-benefit analysis for Board meetings held outside of the GCF Headquarters, including non-cost elements; and

(ii) Options for engaging with stakeholders and understanding the realities experienced in developing countries.

Agenda item 25: Other matters

836. No other matters were considered under this agenda item.

Agenda item 26: Report of the meeting

837. The Co-Chairs stated that a draft compilation of decisions would be distributed shortly after the meeting.

838. The decisions as adopted, and their corresponding annexes, had been included in this document.

Agenda item 27: Close of the meeting

839. The meeting was closed on Tuesday, 9 July 2019 at 3:15 a.m.

Annex I: Audited financial statements of the Green Climate Fund for the year ended 31 December 2018

The audited financial statements of the Green Climate Fund for the year ended 31 December 2018 are contained below.

Green Climate Fund

Draft Audited Financial Statements

For the years ended December 31, 2018 and 2017

Prepared Under International Financial Reporting Standards

GREEN CLIMATE FUND

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of the Green Climate Fund

Opinion

We have audited the accompanying financial statements of the Green Climate Fund (the "Fund"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in funds and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018 and 2017 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board and Secretariat("management") are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations.

The Ethics and Audit committee is responsible for overseeing the Fund's financial reporting process

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

2913, Nambusunwhan-ro, Seoul, 06280, Korea

May 16, 2019

This report is effective as of May 16, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2018 and 2017

(In '000 USD)	Note	2018	2017
Assets			
Cash and cash equivalents	5, 6	3,837,758	3,380,395
Contributions receivable	6,7	307,737	674,834
Prepayments	-	1,024	555
Other receivables	-	96	19
Total current assets		**4,146,615**	**4,055,803**
Contributions receivable	6,7	2,174,190	1,375,652
Investment in equity	6,8	8,146	8,146
Loans Receivable	6,8	259,206	85,300
Property and equipment, net	9	1,607	1,467
Total non-current assets		**2,443,149**	**1,470,565**
Total assets		**6,589,764**	**5,526,368**
Funds and Liabilities			
Accounts payable	6	2,723	1,056
Accrued expenses	6	5,111	5,225
Total current liabilities		**7,834**	**6,281**
Long-term borrowings	10	281,216	293,382
Present value discount	10	45,166	48,248
Total non-current liabilities		**326,382**	**341,630**
Total liabilities		**334,216**	**347,911**
Temporarily restricted funds	11	3,075,929	2,631,600
Unrestricted funds		3,179,619	2,546,857
Total Funds		**6,255,548**	**5,178,457**
Total liabilities and funds		**6,589,764**	**5,526,368**

See accompanying notes to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(In '000 USD)	Note	2018	2017
Income			
Income from contributors	12	1,222,926	1,864,311
Investment & other income	13	74,913	36,240
Total income		**1,297,839**	**1,900,551**
Expenditure			
Administrative expenses	14	56,983	41,629
Programme	15	163,765	74,154
Total expenditure		**220,748**	**115,783**
Increase in fund for the year		**1,077,091**	**1,784,768**
Other Comprehensive Income (loss)			-
Total comprehensive income for the year		**1,077,091**	**1,784,768**

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN FUNDS

For the years ended December 31, 2018 and 2017

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2017	**1,843,633**	**1,550,056**	**3,393,689**
Fund released from restriction	(366,462)	366,462	-
Comprehensive income	1,154,429	630,339	1,784,768
As at 31 December 2017	**2,631,600**	**2,546,857**	**5,178,457**
As at 1 January 2018	**2,631,600**	**2,546,857**	**5,178,457**
Fund released from restriction	(409,358)	409,358	-
Comprehensive income	853,687	223,404	1,077,091
As at 31 December 2018	**3,075,929**	**3,179,619**	**6,255,548**

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(In '000 USD)	2018	2017
Cash flows from operating activities		
Cash receipts from contributors	791,765	1,373,924
Investment Income	73,690	35,539
Loan Interest and Other income	1,223	700
Cash paid to suppliers & personnel	(58,650)	(42,223)
Program Payments	(163,765)	(74,154)
Realised foreign currency gain/(loss)	(12,575)	9,851
Net cash provided by (used in) operating activities	**631,688**	**1,303,637**
Cash flows from investing activities		
Acquisition of property and equipment	(804)	(1,079)
Investment in equity	-	(2,652)
Loans to Accredited Entities	(173,521)	(85,300)
Net cash provided by (used in) investing activities	**(174,325)**	**(89,031)**
Cash flows from financing activities		
Loan from contributors	-	341,630
Net cash from financing activities	**-**	**341,630**
Net increase in cash and cash equivalents	**457,363**	**1,556,236**
Cash and cash equivalents at beginning of the year	**3,380,395**	**1,824,159**
Cash and cash equivalents at end of year	**3,837,758**	**3,380,395**

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

1. REPORTING ENTITY

The Green Climate Fund (Fund) has been established by 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The Fund was established by a decision of the Conference of the Parties (COP) to the UNFCCC on 11 Dec 2011. Its headquarter is based in Songdo, the Republic of Korea and the principal place of business is G-Tower 175, Art Center-daero Yeonsu-gu, Incheon 22004. The Fund seeks to contribute to the achievement of the ultimate objective of the Convention. In the context of sustainable development, the Fund promotes the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. The Fund is guided by the principles and provisions of the Convention.

The Fund plays a key role in channeling new and predictable financial resources to developing countries. GCF seeks to catalyze climate finance – both public and private, and at the national, regional and international levels. The Fund is intended to operate at a larger scale than other comparable funds to promote the paradigm shift towards low-emission and climate-resilient development pathways.

GCF was designated as an operating entity of the UNFCCC's financial mechanism, which it is ultimately accountable to. The COP provides guidance to the Board, including on matters related to policies, programme priorities and eligibility criteria. The Board takes appropriate actions in response to this guidance and reports to the COP annually.

The Fund is governed and supervised by a Board that has full responsibility for funding decisions and that receives the guidance of the COP. The Board oversees the operation of all relevant components of the Fund, approving specific operational policies and guidelines, and approving funding for projects and programmes. The Board is composed of 24 members, and 24 alternate members with equal representation from developing and developed country Parties. In accordance with the Fund's Governing Instrument, the World Bank provides trustee services to the Fund.

The financial statements for the year ended 31st December 2018 were authorized for issue by the fund's board on XX July 2019.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied by the Fund consistently to all periods presented.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). Where the IFRS are silent or do not give guidance on how to treat transactions specific to the non-profit sector, accounting policies have been based on the general IFRS principles and other relevant accounting standards, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis, except for investments (other than associates or joint ventures) and certain financial assets and liabilities which are recorded at fair value

FUNCTIONAL AND PRESENTATION CURRENCY

The accompanying financial statements are presented in United States Dollars (“USD”), the Fund's functional currency. All financial information has been rounded off to the nearest thousands unless otherwise indicated.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED IFRS

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING 2018

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2017.

During 2018 the following new standards and amendments became applicable for the first time. The potential impact on the Fund is outlined below:

Standard	Effective Application Date	Expected Impact
IFRS 9 - Financial Instruments, issued in July 2014	1 January 2018	The Fund has applied IFRS 9, Financial Instruments, for the first time for their annual reporting period commencing January 1, 2018. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.
IFRS 15 – Revenue from Contracts with Customers, issued in May 2014	1 January 2018	No impact on the Fund’s financial performance and financial position given the fund’s sources of revenue
Amendments to IFRS 2 – Share-based payments, issued June 2016	1 January 2018	No impact. The Fund did not enter into any Share-based payment transactions in the period under review
Amendments to IFRS 1 – First-time Adoption of IFRS, issued December 2016	1 January 2018	No Impact. The Fund has been using IFRS since inception
Amendments to IAS 28 – Investment in Associates, Issued December 2016	1 January 2018	No impact on the reporting period. The Fund did not hold any rights or power to participate in financial and operating decisions of any investee
Amendments to IAS 40 – Investment Property, issued December 2016	1 January 2018	No impact. The Fund did not hold any property to earn rentals or for capital appreciation in the reporting period.
IFRIC 22 Foreign Currency Transactions and Advance consideration issued in December 2016	1 January 2018	No significant impact. There were no material transactions involving advance payments in foreign currencies

NOTES TO THE FINANCIAL STATEMENTS

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2018, and have not been applied in preparing the financial statements. The Fund plans to adopt these pronouncements when they become effective. Only those new or amended standards that may have an impact on the Fund reporting are listed below, with their potential effect on the financial statements:

Standard	Effective Application Date	Expected Impact
IFRS 16 - Leases, issued in January 2016	1 January 2019	In its state of operations, the Fund does not expect any impact since it has no contracts under lease. However, if it enters into lease contracts in the future, it may be required to recognize obligations under the leases
Amendments to IAS 28, Investment in Associates	1 January 2019	In its state of operations, the Fund does not expect any impact since it does not hold any rights or power to participate in the financial and operating decision of any investee. However, if it holds such rights in later periods, it may be impacted if it chooses to apply IFRS 9 to long-term interests in an associate or joint venture

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

B. RECEIVABLES

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful debts. Any receivable or portion of receivable judged to be uncollectable is written off. Write-offs of receivables are done via allowances for doubtful accounts after all efforts to collect have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS

C. PROPERTY AND EQUIPMENT

Property and equipment are initially measured at cost. Subsequent to initial recognition as an asset, property and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.

Subsequent costs are recognized in the carrying amount of property and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The costs of the day-to-day operation are recognized as expenses.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current period are as follows:

Plant and equipment	Useful life
Computer equipment and IT infrastructure	3 years
Leasehold Improvements	10 Years
Office Equipment and Furniture	3 Years
Motor Vehicles	5 Years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Depreciation is made in the year the asset is placed in operation and continued until the asset is fully depreciated or its use is discontinued.

D. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Foreign currency-denominated transactions are translated to US Dollars for reporting purposes at rates which approximate the exchange rates prevailing at the dates of the transactions.
Exchange differences arising from the: (a) settlement of foreign currency-denominated monetary items at rates which are different from which they were originally booked, and (b) translation of balances of foreign currency-denominated monetary items as at reporting date, are credited or charged to operations during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

E. ACCOUNTING FOR CONTRIBUTIONS

E1.1 Revenue recognition

Contributions, including unconditional promise for the use of the contributions, are recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received.

Contributions, including conditional promise to support specified projects or activities mutually agreed upon by the Fund and the contributor, are fully recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received unless there is doubt that the Fund will not be able to use the contributions for their intended purposes, in which case the revenue is recognized only to the extent of the expenditures incurred during the year.

E1.2 Contributions receivable

The Fund recognizes contributions receivable where there is reasonable assurance that the contributions will be received but the cash has not been received. Contributions receivable are stated at their cost net of a provision for uncollectible contributions.

Promissory notes receivable are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss.

E1.3 Deferred contribution revenue

The Fund recognizes deferred contribution revenue where there is a doubt that the Fund will be able to use the contributions for intended purposes and any unused portion of the contribution received will need to be refunded to the contributor. The revenue recognition for such contributions is deferred to future periods in order to match the underlying related expenses. The revenue is realized in the statement of comprehensive income on a systematic basis in the period during which the underlying related expenses are incurred.

F. ACCOUNTING FOR INVESTMENTS IN EQUITY

F1.1 Investment in associates

Investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Fund and its associates are eliminated to the extent of the Fund's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Fund recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

Associates are all entities over which the Fund has significant influence (that is the power to participate in the financial and operating policy decisions of the investee) but is not in control or joint control of those policies. If the Fund holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the Fund has significant influence, unless it can be clearly demonstrated that this is not the case e.g. by evidence that all or almost all the following conditions are absent or do not apply:

(a) Representation on the board of directors or equivalent governing body of the investee;
(b) Participation in the investee's policy-making processes, including participation in decisions about dividends and other distributions;
(c) Material transactions between the Fund and the investee;
(d) Interchange of managerial personnel between the Fund and the investee;
(e) Provision of essential technical information between the Fund and the investee.

F1.2 Investment in joint ventures

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

F1.3 Investment not subject to associates or joint ventures

Any investment in equity that is not subject to associates or joint ventures is accounted for at fair value through other comprehensive income in accordance with *"IFRS 9 Financial Instruments".*

G. ACCOUNTING FOR GRANTS

The accounting for grants uses the principles of IAS 37: Provisions, liabilities and contingent liabilities, together with the "general framework" document to determine when the grants should be recognized as contingent liabilities, grant payables and subsequently recorded in the statement of comprehensive income.

G1.1 Contingent Liability

The first point of recognition for grants is at the point of Board approval, where the maximum liability of the grant becomes clear and is agreed with the Accredited Entity. The accounting treatment at this point is to recognize the grant as a contingent liability due to the uncertainty over the amount of the grant and the substantive ability of the Fund to decommit funds if conditions are not met or funding is not available. Accordingly, the point of Board approval is not considered to be a constructive obligation as defined under IAS 37.

Following the Board approval, the grants are governed by a written grant agreement that includes substantive conditions based on performance. There is no constructive obligation for the full value of the grant at the signing date of the grant agreement. Accordingly, an obligation only arises once all criteria have been addressed or otherwise resolved.

NOTES TO THE FINANCIAL STATEMENTS

G1.2 Recognition of Grants payable and expenditure

The recognition of grants payable is determined to be the point at which the conditions are met and the disbursement request is made by the accredited entity. At this point, the Fund has a constructive obligation to the accredited entity and the valid amount requested for disbursement is therefore recognized as a grant payable and recorded as expenditure within the statement of comprehensive income.

G1.3 Recoverable from Grants

During the implementation period, a part of the funds disbursed for grants may be determined as recoverable from the accredited entity based on the audits and investigations conducted. Grants recoverable are recognized at fair value upon notification to the accredited entity and are subject to the same policy of valuation, risk assessment and asset impairment as contributions recoverable from the contributor.

H. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the underlying instruments.

H1.1 Financial assets

H1.1.1 Classification

From January 1, 2018, the Fund classifies its financial assets in the following measurement categories:

a) Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss)
b) Those to be measured at amortized cost

The classification depends on the Fund’s business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Fund reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

H1.1.2 Measurement

At initial recognition, the Fund measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

H1.1.2.1 Debt Instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. the Fund classifies its debt instruments into one of the following three measurement categories:

a) Financial assets measured at amortized cost.

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method.

b) Financial assets measured at fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'Financial income and expenses' and impairment losses are presented in 'Other non-operating expenses.

c) Financial assets measured at fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Other non-operating income and expenses' in the year in which it arises.

H1.1.2.2 Equity Instruments

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings. Dividend income from such investments continues to be recognized in profit or loss as 'Other non-operating income' when the right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other non-operating income and expenses' in the statement of profit or loss as applicable.

NOTES TO THE FINANCIAL STATEMENTS

H1.1.3 Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Fund applies the simplified approach, which requires expected lifetime losses to be recognized from the initial recognition of the receivables.

H1.1.4 Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Fund has retained substantially all the risks and rewards of ownership of the transferred asset, the Fund continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Fund classified the financial liability as “borrowings” in the statement of financial position.

H1.1.5 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

H1.2 Financial liabilities

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Fund classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as ‘accounts payable’, ‘borrowings’, and ‘other financial liabilities’ in the statement of financial position.

I. FINANCE INCOME AND FINANCE COSTS

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

J. TAXATION

Under the agreement between the Republic of Korea and the Green Climate Fund (GCF) concerning the Headquarters of the Green Climate Fund, signed on 10 June 2013, the GCF is exempt from all direct taxes, except those which are, in fact no more than charges for public utility services; and exempt from all indirect taxes, including any value-added and or/similar taxes and excise duties levied on important purchase of goods and services for official purposes.

K. RISK MANAGEMENT

The Fund is and will continue to be exposed to various kinds of risk (compliance risk, reputational risk, legal risk, IT risk, credit risk, market risk, currency risk, liquidity risk, operational risk). The Fund has its Risk Management and Investment framework. The Board adopted a risk appetite methodology and risk registers to manage its exposure to various risk categories. The Fund will continue establishing risk policies and guidelines to further improve risk management tools in financial and non-financial risk management. Funds held in trust by the Trustee are invested in accordance with the World Bank's policies and procedures for the investment of trust funds administered by the World Bank.

L. EVENTS AFTER THE REPORTING DATE

Post year-end events that provide additional information about the Funds financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents as of December 31, 2018 and 2017 are summarized as follows:

(In '000 USD)	2018	2017
Balance held in the GCF Trust Fund (at the World Bank)	3,822,378	3,375,013
Balances held in Commercial Banks	15,380	5,381
Cash on Hand	-	1
Total	3,837,758	3,380,395

The World Bank is serving as the Trustee of the Fund. The Trustee administers contributions received in the Trust Fund in accordance with the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund (including all Annexes and Attachments attached thereto, which constitute an integral part thereof), dated April 22, 2015 between the Fund and the Trustee (the "GCF Trust Fund Agreement"). The Fund signed a revised agreement with the World Bank on 12th April 2019. Under the revised agreement, the World Bank shall continue to provide trustee services for the next four years.

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2018 and 2017 are as follows:

	2018			2017		
Foreign currency	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD
EUR	230,100	0.8732	263,514	-	-	-
KRW	356,783	0.0009	324	694,355	0.0009	644

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL INSTRUMENTS BY CATEGORIES

(a) Categories of financial assets as of December 31, 2018 and 2017 are summarized as follows:

(i) December 31, 2018				
(In '000 USD)	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at FVTPL	Total Amount
Financial Assets				
Cash and cash equivalents	3,837,758	-	-	3,837,758
Contributions receivable	2,481,927	-	-	2,481,927
Loans Receivable	259,206	-	-	259,206
Investments in equity	-	8,146	-	8,146
Total	**6,578,891**	**8,146**	**-**	**6,587,037**
(ii) December 31, 2017				
(In '000 USD)	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at FVTPL	Total Amount
Cash and cash equivalents	3,380,395	-	-	3,380,395
Contributions receivable	2,050,486	-	-	2,050,486
Loans Receivable	85,300	-	-	85,300
Investments in equity	-	8,146	-	8,146
Total	**5,516,181**	**8,146**	**-**	**5,524,327**

(b) Categories of financial liabilities as of December 31, 2018 and 2017 are summarized as follows:

(i) December 31, 2018			
(In '000 USD)	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Total Amount
Financial Liabilities			
Accounts payable	2,723	-	2,723
Accruals	5,111	-	5,111
Long-term borrowings	281,216	-	281,216
Total	**289,050**		**289,050**
(ii) December 31, 2017			
(In '000 USD)	Financial assets measured at amortized cost	Financial assets measured at FVTPL	Total Amount
Accounts payable	1,056	-	1,056
Accruals	5,225	-	5,225
Long-term borrowings	293,382	-	293,382
Total	**299,663**	**-**	**299,663**

NOTES TO THE FINANCIAL STATEMENTS

(c) Detail of net gains (or losses) on each category of financial instruments by category for the years ended December 31, 2018 and 2017 are summarized as follows:

(In '000 USD)	2018			2017		
	Loans and receivables	Other assets	Financial liabilities	Loans and receivables	Other Assets	Financial liabilities
Bank and trust fund income	-	73,824	-	-	35,539	-
Foreign exchange gain (loss)	(99,599)	-	-	133,377	-	-
Present value amortization on promissory note	-	-	-	2,512	-	-
Total	**(99,599)**	**73,824**	**-**	**135,889**	**35,539**	**-**

7. CONTRIBUTIONS RECEIVABLE

In accordance with signed arrangements/ agreements, a number of contributors have deposited promissory notes. The World Bank, as the Trustee of the Fund, is holding these promissory notes on behalf of the fund. These are non-interest-bearing and payable at par value. Promissory notes encashable within one year from the end of the reporting period are classified as current assets- receivables. Promissory notes encashable after more than one year from the end of the reporting period are classified as non-current assets- receivables.

The promissory notes receivables are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes will not be received. If any such evidence exists, the Fund determines the amount of any bad debts to be written off. Promissory notes denominated in Euro, Japanese Yen, Swedish Krona and Pound Sterling were revalued to United States Dollars (USD) at the end of reporting period at the prevailing exchange rates.

As at December 31, 2018, encashment schedule and details of present value on promissory notes are as follows:

Encashment	Amount (In '000 USD)
In 2019	307,737
In 2020	411,926
In 2021	113,334
In 2022	1,037,964
In 2023	632,538
Nominal value of promissory notes	2,503,499
Unamortized present value discount	(21,572)
Present value of promissory notes	**2,481,927**

NOTES TO THE FINANCIAL STATEMENTS

Contributions receivable denominated in foreign currencies as of December 31, 2018 and 2017 are as follows:

	2018			2017		
Foreign currency	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate	Translation into '000 USD
EUR	480,910	0.8732	550,738	379,710	0.8340	455,158
JPY	82,713,388	109.95	752,316	63,151,749	112.52	561,274
GBP	720,000	0.7813	919,368	520,017	0.7400	699,966
SEK	2,140,000	8.95	239,077	2,740,000	8.2014	334,088
			2,461,499			**2,050,486**

Promissory notes amounting to USD 42 million were held in USD hence not included above

8. FINANCIAL ASSETS AT FAIR VALUE

A. FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

i) Financial assets at Fair Value through Other Comprehensive (FVTOCI) as at December 31, 2018 and 2017 are as follows:

(In '000 USD)	2018	2017
Equity Instruments	8,146	8,146

Details of equity instruments as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
(In '000 USD)	No. of Shares owned	Percentage of Ownership (%)	Acquisition cost	Carrying Amount (Fair Value)
KawiSafi Ventures	20,000	47.45	8,146	8,146
	December 31, 2017			
(In '000 USD)	No. of Shares owned	Percentage of Ownership (%)	Acquisition cost	Carrying Amount (Fair Value)
KawiSafi Ventures	20,000	47.45	8,146	8,146

Investments in equity relate to the acquisition of equity in "KawiSafi" Ventures Limited in accordance with GCF Board approval under decision B.11/11. The investment in equity in KawiSafi is accounted for in accordance with "*IFRS 9 Financial Instruments"* as the Fund does not have significant influence over the invested entity's financial or operating decisions. The acquisition cost is considered a reasonable estimate for the fair value of the investment. The carrying amount as at December 31, 2018 and 2017 are as below:

NOTES TO THE FINANCIAL STATEMENTS

ii) Changes in the value of financial assets at FVTOCI for the years ended December 31, 2018 and 2017 are as follows:

(In '000 USD)	2018	2017
Balance at January 1	8,146	8,146
Acquisition	-	-
Disposal	-	-
Fair value gain (loss)	-	-
Others	-	-
Balance as at December 31	**8,146**	**8,146**

iii) Changes in gain (loss) on the valuation of financial asset at FVTOCI for the years ended December 31, 2018 and 2017 are as follows:

(In '000 USD)	2018	2017
Balance at January 1	8,146	8,146
Fair value gain (loss)	-	-
Reclassification to retained earnings	-	-
Balance as at December 31	**8,146**	**8,146**

B. LOANS RECEIVABLE

Loans receivable relate to loans that have been disbursed to accredited entities for the implementation of activities as per the different funding proposals presented to and approved by the GCF board. The loans are valued at amortized cost as required by *"IFRS 9 Financial Instruments"* since they are held solely for the collection of principal and interest. Details of the loans are as below:

	2018		2017	
(In '000 USD)	Current	Non-current	Current	Non-current
Gross Carrying Amount	-	259,206	-	85,300
Expected Credit Loss (ECL) Allowance*	-	-	-	-
Net Carrying Amount	**-**	**259,206**	**-**	**85,300**

*All interest payable on the loan as at 31, December 2018 has been paid by the loanees.

NOTES TO THE FINANCIAL STATEMENTS

The interest rates, maturity dates for the loans are as below:

Accredited Entity	Funding Proposal No.	Loan Currency	Loan amount *(In '000 USD)*	Maturity Date	Interest Rate
European Bank for Reconstruction and Development (EBRD)*	025	EURO	78,354	August 2033	Variable
European Bank for Reconstruction and Development (EBRD)**	047	EURO	86,902	June 2041	Variable
European Bank for Reconstruction and Development (EBRD)***	039	USD	65,800	September 2040	Variable
XacBank	046	USD	8,650	November 2029	2.47%
XacBank	028	USD	19,500	June 2022	LIBOR+ 0.5%
Total			**259,206**		

* The interest rate will vary depending on different factors as outlined in the Funded Activity Agreement (FAA)

** The pricing of the GCF Tranche will be based on the pricing of the EBRD Tranche to the Sub-projects. The interest rate floor is 1.5% for wind projects and 2% for solar projects

*** The pricing of the GCF Tranche will be based on the pricing of the EBRD Tranche to the Sub-projects. The interest rate floor is 1.8% for amounts loaned out for wind projects and 2% for amounts loaned out for solar projects.

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY AND EQUIPMENT

(a) Details of property and equipment as of December 31, 2018 and 2017 are as follows:

(i) December 31, 2018

(In '000 USD)	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	3,127	(2,310)	817
Leasehold Improvements	387	(43)	344
Office Furniture & Equipment	518	(135)	383
Motor Vehicles	81	(18)	63
Total	**4,113**	**(2,506)**	**1,607**

(ii) December 31, 2017

(In '000 USD)	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	2,836	(1,785)	1,051
Leasehold Improvements	237	(15)	222
Office Furniture & Equipment	202	(38)	164
Motor Vehicles	35	(5)	30
Total	**3,310**	**(1,843)**	**1,467**

(b) Changes in property and equipment for the year ended December 31, 2018 and 2017 are summarized as follows:

(In '000 USD)

	January 1, 2018	Acquisition	Disposals	Depreciation	December 31, 2018
Computer/IT equipment	1,051	291	-	(525)	817
Leasehold Improvements	222	151	-	(29)	344
Office Furniture & Equipment	164	316	-	(97)	383
Motor Vehicles	30	46	-	(13)	63
Total	**1,467**	**804**	**-**	**(664)**	**1,607**

	January 1, 2017	Acquisition	Disposals	Depreciation	December 31, 2017
Computer/IT equipment	1,083	645	-	(677)	1,051
Leasehold Improvements	-	237	-	(15)	222
Office Furniture & Equipment	-	202	-	(38)	164
Motor Vehicles	-	35	-	(5)	30
Fixed Assets in transit	40	(40)	-	-	-
Total	**1,123**	**1,079**	**-**	**(735)**	**1,467**

NOTES TO THE FINANCIAL STATEMENTS

10. LONG-TERM BORROWINGS

i) The classification of long-term borrowings as at December 31, 2018 and 2017 is as follows:

	2018		2017	
(In '000 USD)	Current	Non-Current	Current	Non-Current
Long-term borrowings	-	281,216	-	293,382
Total	**-**	**281,216**	**-**	**293,382**

ii) Details of long-term borrowings as of December 31, 2018 are as follows

	Lender	Interest rate (%)	Maturity	*(In '000 USD)*
Long-term borrowings	France	0.00	June 15, 2042*	326,382
Less present value discount				(45,166)
Total				**281,216**

* The long-term loan shall be paid in 40 equal semi-annual installments on June 15, and December 15 of each year commencing December 15, 2022.

ii) Present value discount:

Present value discount of USD 45,166,488 refers to the interest implicit in the long-term borrowings and will be realized across the maturity period.

iv) Changes in the value of the loan in 2018 and 2017 are as below

(In '000 USD)	2018	2017
Balance at January 1	293,382	0
Acquisition	-	341,630
Repayments	-	-
Forex loss (gain)	(15,248)	-
Decrease/(Increase) in present value discount	3,082	(48,248)
Balance as at December 31	**281,216**	**293,382**

NOTES TO THE FINANCIAL STATEMENTS

11. FUNDS

All contributions received where the use is limited by contributor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

Changes in nominal value of temporarily restricted funds by type of restriction for the year ended December 31, 2018 are as follows:

(In '000 USD)	January 1, 2018	Released	Received with restriction	Unrealized Exchange gain/loss	December 31, 2018
Time restriction only	1,466,708	(409,358)	770,016	(51,061)	1,776,305
Time & contributor-imposed restriction	592,462	-	170,730	(35,998)	727,194
Contributor imposed restriction only	572,430	-	-	-	572,430
Total	**2,631,600**	**(409,358)**	**940,746**	**(87,059)**	**3,075,929**

Time restriction represents the funds to be collected in future years (i.e. promissory notes) that were recorded at the present value of future collections as at the end of the reporting period. This type of fund will be reclassified into unrestricted funds in the year of receipt.

Contributor-imposed restriction represents the funds whose use is limited by the contributor. Contributor-imposed restrictions relate to capital contributions which can only be disbursed as financial instruments which generate reflows. They may therefore not be used to finance grants unless that terms of the contribution state so.

Time and contributor-imposed restrictions represent the funds whose use is restricted as outlined above and that will be collected in future periods.

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME FROM CONTRIBUTORS

As stated in Note 5, contributions are received through GCF's Trust Fund account at the World Bank administered by the Trustee. The change in the carrying value of the resources in the GCF Trust Fund is due to contribution revenues, investment returns on GCF Trust Fund balances, foreign currency transactions or translations and present value amortization on promissory notes. Those changes comprise the comprehensive income of the Fund.

Details of income from GCF Trust Fund for the year ended December 31, 2018 and December 31, 2017 are as follows:

(i) December 31, 2018			
(In '000 USD)	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	1,335,412	(13,828)	1,321,584
Foreign exchange gain(loss)	(99,599)	661	(98,938)
Present Value amortization on promissory note	-	280	280
Total	**1,235,813**	**(12,887)**	**1,222,926**
(ii) December 31, 2017			
(In '000 USD)	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	1,732,651	(4,229)	1,728,422
Foreign exchange gain(loss)	133,449	(72)	133,377
Present Value amortization on promissory note	-	2,512	2,512
Total	**1,866,100**	**(1,789)**	**1,864,311**

The foreign exchange gain (loss) is primarily due to exchange gain/loss at the time of encashment of promissory notes and on year-end revaluation of promissory notes received in a currency other than USD. On the reporting date, promissory notes held by the Trustee were revalued at the year-end exchange rate.

The details of changes in the total contribution that the Fund has received through the Trust Fund account for the year ended December 31, 2018 are presented as follows:

NOTES TO THE FINANCIAL STATEMENTS

(a) By contributor:

(In '000 USD)	January 1, 2018	Increase (Decrease)	December 31, 2018
Australia	126,557	14,894	141,451
Austria	26,089	2,958	29,047
Belgium	82,560	-	82,560
Bulgaria	109	-	109
Canada	128,230	-	128,230
Chile	300	-	300
Columbia	287	-	287
Cyprus	-	415	415
Czech Republic	4,857	-	4,857
Denmark	62,265	-	62,265
Estonia	1,123	-	1,123
Finland	38,256	-	38,256
France	710,713	174,788	885,501
Germany	677,592	207,259	884,851
Hungary	3,511	-	3,511
Iceland	700	200	900
Indonesia	244	-	244
Ireland	4,453	2,290	6,743
Italy	168,115	59,825	227,940
Japan	1,016,616	358,939	1,375,555
Korea	3,158	-	3,158
Korea	44,000	52,842	96,842
Latvia	417	-	417
Liechtenstein	50	-	50
Lithuania	113	-	113
Luxembourg	27,844	42	27,886
Malta	274	115	389
Mexico	10,000	-	10,000
Monaco	1,079	-	1,079
Mongolia	50	-	50
Netherlands	38,912	76,711	115,623
New Zealand	2,198	-	2,198
Norway	156,107	49,259	205,366
Panama	1,000	-	1,000
Poland	103	-	103
Portugal	2,168	-	2,168
Romania	50	-	50
Russian Federation	-	3,000	3,000
Spain	18,996	30,487	49,483
Sweden	485,197	(23,861)*	461,336
Switzerland	100,562	-	100,562
United Kingdom	713,549	210,719	924,268
United States	1,000,000	-	1,000,000
Total	**5,658,404**	**1,220,882**	**6,879,286**

* The negative change results from exchange loss on promissory notes held in contributor’s home currency

NOTES TO THE FINANCIAL STATEMENTS

(b) By contribution type:

(In '000 USD)	January 1, 2018	Increase (Decrease)	December 31, 2018
Cash	3,599,234	776,553	4,375,787
Promissory note	2,059,170	444,329	2,503,499
Total	**5,658,404**	**1,220,882**	**6,879,286**

(c) By instrument type:

(In '000 USD)	January 1, 2018	Increase (Decrease)	December 31, 2018
Capital	1,164,893	134,753	1,299,646
Grant	4,151,881	1,101,377	5,253,258
Loan	341,630	(15,248)*	326,382
Total	**5,658,404**	**1,220,882**	**6,879,286**

*The negative change in the contributions is as a result of forex losses for instruments denominated currency other than USD.

13. INVESTMENT & OTHER INCOME

Investment and Other income comprise these following.

(In '000 USD)	2018	2017
Investment income	73,690	35,539
Loan interest	476	34
Other income	747	667
Total	**74,913**	**36,240**

Investment income represents the investment return on GCF Trust Fund balances that were invested in accordance with the investment strategy established for all trust funds administered by the World Bank.

Loan interest represents interest received on loans advanced to an accredited entity.

Other income represents the accreditation fees and interest on bank deposits

NOTES TO THE FINANCIAL STATEMENTS

14. ADMINISTRATIVE EXPENSES

Details of administrative expenses for the Fund for the year ended December 31, 2018 and December 31, 2017 are as follows:

(In '000 USD)	2018	2017
Staff Costs [(a)]	37,284	22,496
Consultants Fees	4,045	5,091
Contractual Services	4,670	5,585
Supplies and Services	7,772	4,636
Travel	2,548	3,087
Depreciation	664	734
Total	**56,983**	**41,629**

[(a)] As at December 31 2018, the Fund had 227 full-time staff (149 as at December 31, 2017). The details of the staff costs are as below:

(In '000 USD)	2018	2017
Short-term employee benefits	33,104	19,368
Defined contribution plans	3,167	2,158
Other Costs	1,013	970
Total	**37,284**	**22,496**

NOTES TO THE FINANCIAL STATEMENTS

15. PROGRAMME

Programme expenditures for the years ended December 31, 2018 and December 31, 2017 are related to 'Funding Proposal Grants', 'Accredited Entity Fees', the 'Readiness & Preparatory Support Programme', National Adaptation Plans and the Project Preparation Facility.

(In '000 USD)	2018	2017
Funding Proposal Grants	106,389	53,939
Accredited Entity Fees	14,152	7,661
Readiness & Preparatory Support Programme*	39,263	11,406
Project Preparation Facility	3,961	1,148
Total	**163,765**	**74,154**

*In 2017, this was split into readiness and National Adaptation Plans. They were combined in 2018 since they all fall under the readiness programme

a) Funding Proposal Grants

Details of Funding Proposal Grants channeled through the various accredited entities are as follows as at 31st December 2018 and 2017:

(In '000 USD)	2018	2017
Asian Development Bank (ADB)	14,780	-
Agency for Agricultural Development of Morocco (ADA)	-	10,162
Conservation International (CI)	800	-
Environmental Investment Fund (EIF)	7,232	3,512
European Bank for Reconstruction & Development (EBRD)	16,951	-
KfW Development Bank (KfW)	150	-
Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)	-	1,022
The Secretariat of the Pacific Regional Environment Programme (SPREP)	297	
United Nations Development Programme (UNDP)	66,179	32,773
United Nations Environmental Programme (UNEP)	-	5,969
XacBank	-	500
Total	**106,389**	**53,938**

NOTES TO THE FINANCIAL STATEMENTS

b) Accredited Entity Fees

Details of Accredited Entity Fees for the disbursements to the different Accredited Entities are as follows:

(In '000 USD)	2018	2017
Asian Development Bank (ADB)	1,090	-
Agency for Agricultural Development of Morocco (ADA)	-	915
Conservation International (CI)	72	-
European Bank for Reconstruction & Development (EBRD)	5,996	2,905
Environmental Investment Fund (EIF)	723	351
KfW Development Bank (KfW)	9	-
Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE)	-	100
The Secretariat of the Pacific Regional Environment Programme (SPREP)	27	-
United Nations Development Programme (UNDP)	5,638	2,765
United Nations Environmental Programme (UNEP)	-	537
XacBank	597	88
Total	**14,152**	**7,661**

NOTES TO THE FINANCIAL STATEMENTS

c) Readiness & Preparatory Support Programme

Details of 'Readiness & Preparatory Support Programme' expenditures for the years ended December 31, 2018 and December 31, 2017 are as follows:

(In '000 USD)	2018	2017
Consultants Fees	1,218	735
Regional workshops & NDA visits	4,381	1,062
Grants	28,931	8,163
Professional Services	493	81
Travel	207	95
Other Operating Costs	1,344	-
Total	**36,574**	**10,136**

The following countries received readiness grants for the years ended December 31, 2018 and December 31, 2017:

(In '000 USD)	2018	2017
Albania	-	148
Algeria	60	-
Antigua and Barbuda	294	365
Argentina	506	-
Armenia	150	-
Azerbaijan	180	-
Bahamas	-	250
Bangladesh	637	69
Belize	-	123
Bhutan	296	-
Bosnia-Herzegovina	165	-
Brazil	197	-
Burkina Faso	563	-
Burundi	239	-
Cambodia	120	-
Cameroon	-	250
Central African Republic	290	-
Chad	-	120
Chile	1,678	200
Colombia	631	-
Comoros	115	-

NOTES TO THE FINANCIAL STATEMENTS

(In '000 USD)	2018	2017
Cook Islands	8	274
Costa Rica	635	-
Cote d'Ivoire	-	240
Cuba	167	-
Democratic Republic of Congo	678	-
Djibouti	-	120
Dominica	-	232
Dominican Republic	1,262	75
Ecuador	195	-
Egypt	-	122
Equatorial Guinea	703	-
Eswatini	828	-
Federal States of Micronesia	-	130
Gabon	130	-
Gambia	-	75
Georgia	227	82
Ghana	-	300
Grenada	409	-
Guatemala	-	316
Guyana	556	-
Haiti	390	215
Honduras	379	135
India	150	-
Indonesia	281	-
Iraq	334	-
Jamaica	327	120
Jordan	190	150
Kazakhstan	300	-
Kenya	216	-
Kiribati	146	-
Kyrgyz Republic	155	-
Lao PDR	527	150
Lesotho	188	-
Libya	130	-
Madagascar	178	-
Malaysia	593	-
Maldives	-	199
Mali	-	110
Mauritania	872	120
Mauritius	325	-
Mongolia	656	548
Montenegro	-	145
Morocco	150	330
Mozambique	120	-

NOTES TO THE FINANCIAL STATEMENTS

(In '000 USD)	2018	2017
Myanmar	452	-
Namibia	286	244
Nauru	130	-
Nepal	419	-
Niger	501	-
Niue	295	-
Oman	100	150
Northern Macedonia	246	-
Pakistan	79	125
Palestine	414	-
Panama	517	-
Papua New Guinea	220	-
Paraguay	573	-
Peru	366	-
Republic of Congo	501	-
Republic of Marshall Islands	400	-
Republic of Moldova	80	83
Rwanda	424	130
Saint Kitts and Nevis	309	-
Saint Lucia	60	-
Saint Vincent and the Grenadines	-	120
Senegal	-	260
Serbia	130	-
Seychelles	305	-
South Africa	195	-
South Sudan	152	-
Sudan	273	-
Tajikistan	150	-
Thailand	548	104
Timor-Leste	150	-
Togo	100	-
Tonga	140	330
Tunisia	-	250
Uruguay	492	185
Vanuatu	269	470
Vietnam	130	-
Zimbabwe	999	-
	28,931	**8,164**

NOTES TO THE FINANCIAL STATEMENTS

d) National Adaptation Plans (NAPs)

Details of National Adaptation Plan grants by country for the years ended December 31, 2018 and December 31, 2017 are as follows:

(In '000 USD)	2018	2017
Antigua and Barbuda	500	-
Armenia	385	-
Colombia	350	-
Kenya	779	-
Liberia	-	805
Nepal	-	465
Pakistan	675	-
Total	**2,689**	**1,270**

e) Project Preparatory Facility (PPF)

Details of Project Preparatory Facility grants by Implementing Partner for the years ended December 31, 2018 and December 31, 2017 are as follows:

(In '000 USD)	2018	2017
Caribbean Community Climate Change Centre (CCCCC)	363	-
Agency for Agricultural Development of Morocco (ADA)	557	-
Development Bank of Latin America (CAF)	1,078	-
Ministry of Environment - Rwanda (MINIRENA)	166	719
United Nations Development Programme (UNDP)	934	-
United Nations Environmental Programme (UNEP)	279	-
United Nations Office of Project Services (UNOPS)	584	-
World Meteorological Organization (WMO)	-	429
Total	**3,961**	**1,148**

16. CONTINGENT LIABILITIES

Contingent liabilities for Readiness & Preparatory Support Programme, and Project Preparation Facility (PPF) as of December 31, 2018 and 2017 are analyzed below

a) Readiness & Preparatory Support Programme

(In '000 USD)	2018	2017
Approved	123,445	83,298
Disbursed as end of December **	(32,618)	(15,286)
Total Committed	**90,827**	**68,012****

** In 2017, the amounts were split into Readiness Grants and National Adaptation Plans (NAPs) disbursements

b) Project Preparation Facility

(In '000 USD)	2018	2017
Funds approved	10,827	5,181
Disbursed as at end of December	(5,609)	(1,648)
Total Commitment	**5,218**	**3,533**

NOTES TO THE FINANCIAL STATEMENTS

c) Project Funding Decisions

The total value of projects approved by the GCF Board excluding lapsed projects is as below:

Board Meeting	*Amount (In '000 USD)*
11th Board Meeting	145,825
13th Board Meeting	256,614
14th Board Meeting	745,549
15th Board Meeting	165,175
16th Board Meeting	766,018
18th Board Meeting	392,859
19th Board Meeting	1,091,515
21st Board Meeting	1,031,194
22nd Board Meeting	440,078
Disbursements for approved projects as at end of February 2019	(442,372)
Total	**4,592,455**

17. LEASE

Under the agreement between the Ministry of Strategy and Finance of the Republic of Korea, The Incheon Metropolitan City of the Republic of Korea and The Green Climate Fund signed on 8th October 2013, Incheon City provides to the Fund the use of premises free of payment of rental for the entire duration of the Fund's operation in Songdo.

NOTES TO THE FINANCIAL STATEMENTS

18. RELATED PARTIES

Related parties include the members of the board, board committees, senior management and close family members of the board, board committees and senior management. There was no loan to or from related parties outstanding as at 31 December 2018 and 2017. The Fund does not remunerate its Board members. All transactions with the board are made at terms equivalent to an arm's length transaction within the operational framework of the Secretariat.

Remuneration of key management for 2018 and 2017 is as below:

(In '000 USD)	2018	2017
Salaries	3,348	2,715
Retirement plan	603	489
Other Benefits	1,312	1,079
Termination benefits	34	-
Total	**5,297**	**4,283**

Annex II: Updated workplan of the Board for 2019

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
1. STRATEGY AND REPLENISHMENT				
Review of the performance of the GCF *Decision B.21/17*		Board consideration of the forward-looking performance review of the GCF *Decision B.21/17, para. (e), and B.21/18, para. (m)*		
GCF Strategic Plan *Decisions B.19/05, para.(c) and B.21/18, para. (t)*	Consideration of: • A comprehensive report on the implementation of the GCF initial strategic plan of the IRM period (2015-2018); *(Decision B.21/18, para. (i)(i))* • A synthesis of issues emerging from Board inputs on the update of the Strategic Plan, and commission work to review the Strategic Plan (*Decision B.21/18, para (u))*		Board to adopt an updated strategic plan of the GCF *(Decision B.22/06, para. (d))*	
First formal replenishment process of the GCF[1] *(DecisionB.21/18)*	• Consideration of a strategic planning programming document outlining scenarios for the GCF's replenishment *(Decision B.21/18, para. (i)(iii))*	• Board to decide the period of the first replenishment *Decision B.21/18, para (g)* • Board input to the draft updated policy for contributions to the GCF *(Decision B.21/18, para. (i)(ii))*	• Board to endorse the outcomes of the first formal replenishment *(Decision B.21/18, para (n), annex XVII, para. (b)(iv))* • Consideration of a document outlining areas in the policies for contributions, standard provisions and template	

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
			contributions agreement that may be be updated for the GCF's first replenishment period, including the consitions necessary to trigger subsequent replenishments; *(Decision B.21/18, para. (i)(ii))*	
2. FINANCIAL PLANNING AND BUDGET				
Financial planning and management of commitment authority for the remainder of the IRM *Decision B.21/14*	Consideration of a draft decision by the Budget Committee covering a set-aside for the operating costs of the GCF and foreign exchange commitment risk buffer for solvency risks for 2019 and 2020 *(Decision B.21/14, para. (f))*		• Budget Committee report on the requirement and adequacy of the risk buffer *(Decision B.22/21, para. (c))*	Consideration of an initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of the GCF *(Decision B.21/14, para. (j))*
Workplans and administrative budgets[2]	• Presentation of the draft unaudited financial statements for 2018	• Approval of the audited financial statements for 2018	• Approval of the work programme and administrative budget for 2020	
3. OPERATIONAL MODALITIES OF THE FUND				
a. Review of the initial investment framework				

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Review of the initial investment framework *Decision B.07/08, para.(d)*		Review of the initial investment framework, including the follow matters • Document mapping elements included in previous Board decision and in the Governing Instrument that can contribute to strengthening project and programme eligibility criteria *(Decision B.17/10, para. (b))* • Guidance and scope for providing support to adaptation activities (Decision B.17/10, para. (c)(ii)) • Annual review of the scaling pilot (Paper provided for information, annexed to the B.23 Status of the GCF portfolio and pipeline paper) • *(Decision B.10/17, para (e))* • Developing an incremental cost methodology *(Decisions B.17/10, para. (c)(i); and B.19/06, para. (d)(ii))* • Co-financing policy and co-financing arrangements	• [Pending outcomes of B.23] • Steps to enhance the climate rationale of GCF-supported activities	• Consideration of the annual review of the scaling pilot *(Decision B.10/17, para (e))* • Board to consider and provide further guidance on the Secretariat's recommendation on the consistency of conditions attached to funding proposal with the funds policies *Decision B.16/02, para. (l)*

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
		with other financial institutions • *(Decisions B.13/05; B.15/02; and B.17/10)* • Further guidance on concessionality, including the level of concessionality for the public sector *(Decisions B.12/17, paras. (a) and (b); B.17/10, para. (c) (iv); B.BM-2017/02; and B.19/06, para. (d) (ii))* • Policy guidelines on a programmatic approach *(Decisions B.13/09, para. (g); and B.14/07 para. (k))*		
Review of the financial terms and conditions of the GCF financial instruments[3] *(Decisions B.09/04, para. (h)), B.12/17, para. (c); B.15/05, para. (b); B.17/01, para. (b) (iii) and (xx); B.19/06, para. (d) (ii) and B.BM-2019/08)*		Conclusion of the first annual review of the financial terms and conditions of the GCF financial instruments, including the outcomes of the Co-Chairs' consultations *(Decision B.BM-2019/08)*		
Investment criteria indicators[11] *(Decisions B.09/05, paras. (c) and (d); B.13/02; and B.19/07,*	Consideration of a further developed proposal on investment criteria indicators *(Decision B.19/07, para. (b))*			

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
para. (b) – Investment Committee)				
b. Proposal approval process				
Proposal approval process *(Decisions B.07/03; B.11/11; and B.17/09, paras. (g), (m), (o) and (p))*	Consideration of a draft decision on a policy on restructuring and cancellation *(Decisions B.07/03, para. (e); and B.17/09, para. (p));*			Consideration of options for the development of a two-stage proposal approval process *(Decision B.17/09, para. (g))*
Simplified approval process *(Decision B.18/06)*			Review of the Simplified Approval Process Pilot Scheme *(Decision B.18/06, para. (b))*	
c. Risk management framework				
Development of the risk management framework *Decisions B.07/05, B.17/11, para. g); and B.21/04, para. (c)(i)*	Adoption of the compliance risk policy *(Decision B.17/11, para. (g))*	• Adoption of the compliance risk policy *(Decision B.17/11, para. (g) - continued from B.22)*	Adoption of the legal risk policy *(Decision B.17/11, para. (g))*	• Review of the initial financial risk management framework *(Decision B.07/05, para.(f))* • Adoption of risk rating models *(Decision B.17/11, para (f); and B.20/03, para. (b)(v))*
d. Results management framework				

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Results management framework *(Decisions B.08/07, para. (b); B.13/34; B.17/01 para. (b) (x); and B.19/06, para. (e) (iv)), B.22/12, para. (c) and B.22/13, para.s (b) and (c))*	IEU recommendations to improve the Results Management Framework *(B.19/21, para. (c), annex XXI, para. 5(c))*		Consideration of: • The report on the implementation of the IEU recommendations *(Decision B.22/12, para. (c))* • A proposal to respond to gaps in the current portfolio for measurement and evaluation design and/or evidence generation; *(Decision B.22/13, para. (c))* • Revised results management framework and updated performance management frameworks *(Decision B.22/13, para. (b))*	
e. Fund-wide policies				
GCF Gender and Social Inclusion Policy *(Decisions B.09/11; B.12/16; B.14/01, para. (g); B.BM-2017/02; and B.22/17)*	Adoption of an updated Gender Policy	Adoption of an updated Gender Policy *(Decision B.22/17 - Continuation from B.22)*		
4. PRIVATE SECTOR FACILITY MODALITIES				
PSF modalities *Decision B.07/08, para.(d)*		Review of the initial modalities of the Private Sector Facility including: • Consideration of a Private sector strategy	[Pending outcomes of B.23]	• Mobilization of private sector finance to progress GCF forestry-related

	2019			2020
Issue	B.22	B.23	B.24	
		• Consideration of modalities to support activities to enable domestic and international private sector actors to engage in GCF activities in LDCs and SIDS *(Decision B.19/18, para. (b), and B.20/03, para. (b)(vi))* • Consideration of PSAG recommendations to engage the private sector, including local actors, in adaptation action at the national, regional and international levels *(Decisions B.15/03, para. (i)(ii); B.17/06, para (d)(ii)); and B.21/04, para. (c)(ii)* • Review of the MSME pilot *(Decision B.10/11, para.(i); and* • Presentation of TOR for request(s) for proposals for the remainder of the allocation for the MSME pilot programme *(Decision B.13/22, para. (f))* • Review of the Moblizing Funding at Scale pilot programme in order to address adaptation and		results areas[5] *(Decisions B.12/07, para. (f); B.BM-2017/02; and B.17/01, para. (b) (xxi))*

	2019			2020
Issue	B.22	B.23	B.24	
		mitigation *(Decision B.10/11, para.(i))*		
5. ACCREDITATION MATTERS				
a. Accreditation framework				
Further development of the accreditation framework *(Decision B.18/04, para. (a) and (b); B.19/13, paras. (b) and (e) and B.22/16, para. (d)* *(Fast-tracking – decisions B.14/08, para. (d) (ii); B.17/01, para. (b) (xi); B.17/06, para. (e); and B.14/08, para. (f) (ii));* *(Prioritization – decisions B.14/08, para. (d) (ii); and B.17/01, para. (b) (xi));* *(Use of third-party evidence – decisions B.14/08, para. (e) (i); and B.17/01, para. (b) (xiii)))* *Adaptation Fund's Environmental and Social Policy – decision B.14/08, para. (e) (iii)*	Consideration of the full report on the review of the accreditation framework, including Baseline on the overall portfolio of accredited entities *(Decision B.19/13, paras. (b) and (e))*	Consideration of an updated accreditation framework, *(Decision B.19/13, paras. (b) and (e),and B.22/16, para. (d))*		

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
b. Fiduciary standards and prohibited practices				
Initial fiduciary standards and integrity policies *(Decisions B.07/02; B.12/31, para. (i); B.14/01, paras. (e) and (f); B.14/08, para. (f); B.18/10, para (b) and B.20/03, para. (b)(i), B.BM-2018/21, para. (c))*	Adoption of fiduciary compliance and integrity policies/policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism[1] • Policy on Prohibited Practice* • Standards for the implementation of the AML-CFT policy* • Interim Policy on the protection from sexual exploitation, sexual abuse, and sexual harassment (applicable to Covered Individuals) * • *(Decisions B.14/01, para. (e); B.15/13, B.18/10, para (b), and B.20/03, para. (b)(i))*	Adoption of fiduciary compliance and integrity policies/policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism[8] • Updated Policy on protection from sexual exploitation, sexual abuse, and sexual harassment (also applicable to Counterparties *(Decision B.22/18, para. (b))* • Board consideration of a budget for the implementation of the Interim Policy on the protection from sexual exploitation, sexual abuse, and sexual harassment *Decision B.22/18, para. (c)*		Adoption of fiduciary compliance and integrity policies/policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism[8] • Policies on administrative sanctions and exclusions *(Decisions B.14/01, para. (e); and B.15/13, B.20/03, para. (b)(i), and B.22/19, para. (b))* • Updated Policy on Prohibited Practices *(Decision B.22/19, para. (c))* • Integration of policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism in the interim fiduciary standards *(Decision B.14/01, para. (f), and B.BM 2018/21, para. (c))*

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
				• Review of the initial fiduciary principles and standards* *(Decision B.07/02, para. (b))*
c. Environmental and social management system				
Environmental and social management system[7] *(Decisions B.07/02, para. (n); and B.19/10)*		Consideration of the approach to developing the GCF environmental and social safeguards standards* *(Decision B.19/10, para. (c) and B.21/04, para. (c)(v))*	Consideration of: • IEU Assessment of GCF's environmental and social safeguards (ESS) including the Environmental and Social management system (ESMS) (*Decision B.21/11, para. (a), Annex XII, para 5b - d - IEU 2019 work programme*	
d. Monitoring and accountability framework				
Monitoring and accountability framework *(Decision B.11/10, para. (a), annex II)*			Presentation of the annual portfolio performance report *(Decision B.11/10, para. (a), and annex II, para. 9)*	
6. COUNTRY PROGRAMMING AND READINESS				
Implementation of the Readiness and Preparatory Support Programme	• Presentation of final report of the independent evaluation of the Readiness programme			

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
(Decisions B.06/11, para. (f); and B.19/15, para. (f))	*(B.19/16, annex xvii, Section IV para. (b)(iii)* • Consideration of a proposal for improving the Readiness Programme based on the outcome of the conclusions of the Secretariat's initial review and of the independent evaluation of the Readiness Programme *(Decision B.19/15, para. (f))* • Consideration of a forward-budget and work programme of the Readiness Programme *(Decision B.21/14, para. (g))* *Readiness work programme to map way forward on:* • The annual assessment of the application of the country ownership guidelines *(Decision B.17/21, para. (c))* • The review of the Guidelines for enhanced country ownership and country drivenness; *(Decision B.17/21, para. (d));* • Review of the pilot programme to enhance direct access; *(Decision B.10/04, para. (a), Annex I)*			

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Country ownership			Board consideration of IEU's assessment of the Fund's success in ensuring country ownership *(Decision B.21/11, para. (a), Annex XII, para 5b - d - IEU 2019 work programme)*	
7. BOARD MATTERS				
a. Guidance from the COP				
COP guidance and reports *(Governing Instrument for the GCF, paras. 6 (a–c); decisions B.17/04, paras. (b) and (d); and B.19/02)* *(UNFCCC decision 5/CP.19)*	Incorporation of COP 24 guidance into the Board workplan	Approval of the eighth GCF report to the COP *[– to include the report of the COP 24 annual meeting with the UNFCCC thematic bodies; and updates related to complementarity and coherence with other funds]* *(Decisions B.13/11, para. (e); B.17/04, para. (b) & (d); and B.18/02, para. (c), B.18/03, para. (e))*	Consider Co-Chairs' proposal on privileges and immunities of the GCF *(UNFCCC decision 9/CP.23, para. 14, Decision B.19/02, para. (d); and B.21/04, para. (d))*	
b. Board workplans				
Workplan of the Board	Co-Chairs present an updated 2019 Board workplan for Board to adopt	Co-Chairs present an updated 2019 Board workplan	Adoption of the Board workplan for 2020	
c. Board-appointed officials				

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Selection of the Executive Director[8] *Decision B.21/06*	Appointment of the Executive Director of the independent Secretariat *(Decision B.21/06, para. (c), annex VI),*			
Oversight of Board-appointed officials *(Decisions B.12/08; and B.15/02, para. (a), and B.22/04, para. (b), Annex II)*	Board to adopt the performance criteria and evaluation procedure of the Heads of the independent units *Decision B.13/16, para. (c); and B.17/12, para. (b)*	• Board to adopt the performance criteria and evaluation procedure of the Heads of the independent units *(Decision B.13/16, para. (c); B.17/12, para. (b) and B.22/04, para. (b), Annex II)* • Board to consider performance evaluation of the Heads of the Independent Units *(Decision B.22/04, para. (b))*		
d. Committees, panels and groups				
Review of committees and panels *(Annexes XVI–XIX to decision B.05/13, and decision B.20/04, para. (b))*			Consideration of findings of the review of committees and panel	
Review of the TAP[10] *(Decision B.19/08)*				Review of the structure and operations of the TAP including: • Presentation of a proposal to

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
				accommodate the increase in funding proposals from the simplified approval process *(Decision B.19/08, para. (c));* • Analysis of options to accommodate the increased workload resulting from the higher number of funding proposals being processed, and an updated budget *(Decision B.19/08, para. (d)); and* • Review of the composition of the TAP upon finalization of the policies related to the proposal approval structure *(Decision B.19/08, para. (k))* • Report on the implementation of decision B.19/08, including on:

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
				(i) Improvement of internal structures and processes; *(Decision B.19/08, para. (f)); and* (ii) Implementation of a periodic quality assurance process *(Decision B.19/08, para. (h))*
e. Observers				
Participation of observers *(Decisions B.01-13/03, annex XII, para. 17; B.05/23, para. (b); B.BM-2016/11; B.13/27, para. (b); and B.BM-2017/02)*				Consider the outcomes of the review of guidelines on Observer participation *(Decisions B.BM-2016/11; and B.BM-2017/02)*
Policies on ethics and conflicts of interest[11] *(Decisions B.09/03, para. (b); andB.13/27, para. (b))* *(Document GCF/B.16/23, para. 8)*		Adopt the Policy on ethics for active observers *(Decisions B.09/03, para. (b); and B.13/27, para. (b))*		
f. Decision-making				

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Decision-making between Board meetings *Decisions B.12/12, para. (a), B.15/02, para. (a), B.17/09, para. (m) and B.18/06, para. (c)(ii)*	Board to consider outcome of Co-Chairs' consultations	Board to consider outcome of Co-Chairs' consultations *(Continuation from B.22)*		
Decision-making in the absence of consensus *Decisions B.01-13/01, para. (l), B.08/14, para. (b), B.12/11, para. (a) and B.15/02, para. (a)*	Board to consider outcome of Co-Chairs' consultations	Board to consider outcome of Co-Chairs' consultations *(Continuation from B.22)*		
8. INDEPENDENT UNITS				
Independent Integrity Unit	Presentation of the annual report of the Unit for 2018		Approval of the workplan and budget for 2020	
Independent Evaluation Unit			• Approval of the evaluation policy *(Decision B.06/09, para. (a), annex III, para. (5); and B.16/07, para. (c))* • Presentation of the annual report of the Unit for 2019 • Approval of the workplan and budget for 2020	• Board to consider IEU evaluation on Learning-Oriented Real-Time Impact Assessment (LORTA) program – A report on baseline findings on selected project *(Decision B.21/11, para. (a), Annex XII, para 5b - d - IEU 2019 work programme)*

	2019			2020
Issue	**B.22**	**B.23**	**B.24**	
Independent Redress Mechanism	• Adoption of detailed guidelines and procedures of the IRM *(Decision B.13/24, para. (b); and B.21/04, para. (c)(iii))* • Presentation of the annual report of the Unit for 2018	Presentation of two advisory/learning reports from the IRM	• Approval of the workplan and budget for 2020	• Options to facilitate the Board's consideration of reports from the Independent Redress Mechanism *(Decision B.22/22, para. (d))*
9. ADMINISTRATIVE MATTERS				
Administrative guidelines *(Decision B.06/03, annex I)*	Revised administrative guidelines on human resources			• Revised Legal Framework on Human Resources, including the review of salary scales and benefits and allowances *(Decision B.22/20, para. (a) & (b))*

*Denotes matters required to be consulted with Accredited Entities prior to their being presentend to the Board for adoption (Clause 32.04 of tgw template AMA adopted by decision B.12/31 (Annex XXVI)

10. MATTERS TO BE ADDRESSED AT EACH BOARD MEETING	
Approvals	• Consideration of funding proposals • Consideration of accreditation proposals
Co-Chairs' report, consultations and standing matters	The Co-Chairs will report to each meeting on the status of consultations and will bring those matters to the attention of the Board as appropriate. The report on the activities of the Co-Chairs will include status updates on: • The revised workplan following B.22 and B.23; • Board decisions proposed between meetings; and • Election of Co-Chairs (last Board meeting of the year)
Board committee, panel and group Reports	Reports of the (i) Accreditation Committee; (i) Accreditation Panel; (iii) Budget Committee; (iv) Ethics and Audit Committee; (v) Investment Committee; (vi) Private Sector Advisory group; (vii) Risk Management Committe; (viii) Technical Advisory Panel; (ix) Executive Director Selection Committee; and (x) Board representative group to the replenishment process

10. MATTERS TO BE ADDRESSED AT EACH BOARD MEETING	
Secretariat matters	• Report on the activities of the Secretariat, outlining the status of implementation of the Secretariat's work programme for 2018; • Actions taken to include gender considerations in the activities of the GCF *(Decision B.12/20, para. (d))*; • Legal and formal arrangements with accredited entities; • Status of the GCF portfolio and pipeline including status of the implementation of the policy on restructuring and cancellation *(Decisions B.11/11; and B.13/21, para. (d)(ix) and B.22/14, para. (c))*; and status report on the PPF requests received *(Decisions B.13/21, para. (d)(ix); B.13/21, para. (f); and B.17/01, para. (b)(xiv))*; • Status of the GCF portfolio: approved projects and fulfilment of conditions *(Decision B.14/07, paras. (i) and (j))*; • Status of the initial resource mobilization process; • Report on the execution of the administrative budget • Progress report on the implementation of the Readiness work programme, including the status of NAPs *(Decision B.06/11, para. (f))*; and • Consolidated Board document on all information reports *(Decision B.18/12, para. (b))*
Independent unit reports	• Reports of the independent units *(including Independent Evaluation Unit report – decision B.19/21, para. (d))* • Report of the independent appeals panel
Other procedural agenda items	• Adoption of the agenda; • Adoption of the report of the previous meeting; • Reports from Board committees, panels and groups; • Dates and venues of the following meetings of the Board *(Decision B.17/24, para. (c))*; and • Report of the meeting

Abbreviations: B.18–24 = eighteenth to twenty-fourth meetings of the Board, COP = Conference of the Parties to the United Nations Framework Convention on Climate Change, LDCs = least developed countries, MSME = micro, small and medium-sized enterprise, NAP = national adaptation plan, PMFs = Performance Measurement Frameworks, PPF = Project Preparation Facility, PSAG = Private Sector Advisory Group, SIDS = small island developing States, RMF = Results management framework, TAP = independent Technical Advisory Panel, TOR = terms of reference, UNFCCC = United Nations Framework Convention on Climate Change.
*Denotes matters required to be consulted with Accredited Entities prior to their being presentend to the Board for adoption (Clause 32.04 of tgw template AMA adopted by decision B.12/31 (Annex XXVI)

Matters to be addressed in relation to the strategic plan, and outcomes of the replenishment process	
Portfolio alignment and investment priority areas *(Decisions B.09/02, para. (b); and B.17/08, para. (b))*	Findings of the additional analysis of potential investment priority areas to identify specific results areas where targeted GCF investment would have the most impact *(Decision B.17/08, para. (b))*
Support for technology *(Decisions B.18/03, para. (c) and B.20/03, para. (b)(ii))* *(UNFCCC decision 7/CP.21, para. 22)*	Presentation of the TOR for a request for proposals to support climate technology incubators and accelerators *(Decision B.18/03, para. (c))*

REDD-plus *Decision B.18/07*	Consideration of an analysis of the experience with, and the progress made towards achieving the objectives of the pilot programme for REDD-plus results-based payments *Decision B.18/07, para. (f)*
Alternative policy approaches *(Decisions B.12/07, para. (e); B.14/01, para. (e); and B.17/01)* *(UNFCCC decisions 10/CP.22, para. 4; and 7/CP.21, para. 25)*	Consideration of alternative policy approaches for the integral and sustainable management of forests
Complementarity and coherence *(Decisions B.13/12, para. (c); and B.17/04, para. (b))* *(UNFCCC decisions 7/CP.21, para. 26; and 7/CP.20, para. 16)*	• Updated operational framework on complementarity and coherence for 2019 –2020 *(Decision B.20/05, para. (e))*

Matters to be taken up by the Secretariat, with the proviso to bring any recommendations requiring Board attention back to the Board	
Defining the nature, scope and extent of second-level due diligence by the Secretariat *(Decisions B.17/09, para. (o), and B.20/03, para. (b)(iv))*	Defining the nature, scope and extent of second-level due diligence by the Secretariat *(Decisions B.17/09, para. (o), and B.20/03, para. (b)(iv))*
Communications strategy *(Decisions B.01-13/05, para. (c); B.04/14, para. (c); B.13/25, para. (f); and B.17/01, para. (b) (ii))*	Adoption of a communications strategy *(Decisions B.13/25, para. (f); B.17/01, para. (b) (ii); and B.19/17, para. (b))*
Information disclosure policy *(Decisions B.12/35, paras. (b) and (g); annex XXIX, para. 28; B.17/01, para. (b) (xvii); and B.18/01, para. (g) and B.21/04, para. (c)(iv))*	Review of the live webcasting service for formal meetings of the Board *(Decision B.BM-2018/07, para. (b) and B.21/04, para. (c)(iv))*
Administrative guidelines *(Decision B.06/03, annex I and B.12/39, para. (a); and B.17/01, para. (c))*	• Administrative guidelines on information communication and technology • Reviewed administrative guidelines on procurement *(Decisions B.12/39, para. (a); and B.17/01, para. (c))*
Information disclosure policy *(Decisions B.12/35, paras. (b) and (g); annex XXIX, para. 28; B.17/01, para. (b) (xvii); and B.18/01, para. (g) and B.21/04, para. (c)(iv))*	• Review of the Information Disclosure Policy *Decision B.12/35, paragraph (a), annex XXIX , paragraph 41* • Presentation of recommendations on the review of the relevant disclosure requirements once the environmental and social management system is developed *(Decision B.12/35, para. (b))*
Travel policy for the GCF[5] *(Decisions B.12/13, and B.15/02)*	Adoption of a travel policy for the GCF

[5] Co-Chairs

Annex III: Procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted

I. Introduction

1. In accordance with paragraph 14 of the Governing Instrument for the GCF, decisions of the Board will be taken by consensus of the Board members.

2. These procedures (the "Procedures") shall only apply:

(a) In the event that all efforts at reaching consensus in respect of a particular draft decision have been exhausted, as determined in accordance with section III below; and

(b) To the extent provided for in section IV below.

3. For the avoidance of doubt, paragraph 10 of the Governing Instrument applies to these Procedures.

II. Efforts to exhaust consensus

4. In order to support decision-making by the Board, the development of draft decisions and related documents shall be undertaken in an open, inclusive, consultative and transparent manner.

5. Board members and alternate members shall be consulted on draft decisions and related documents to be considered by the Board prior to their publication, and comments received from such Board members and alternate members shall be taken into account when such draft decisions and related documents are being finalized for publication in accordance with paragraph 21 of the Rules of Procedure of the Board.

6. Efforts to reach consensus could also include the option for the Co-Chairs or the Board to request a small group of Board and/or alternate members to undertake consultations between meetings of the Board on a specific matter with a view to providing inputs for the development and/or refinement of relevant draft decision and related draft documents, as referred to above.

7. Efforts to reach consensus during a Board meeting may include, but are not necessarily limited to, the following procedures:

(a) The Co-Chairs consulting with all Board members and alternate members on the relevant matter during a Board meeting; and/or

(b) Board members stating their reservation with a particular decision without preventing consensus from being reached; and/or

(c) Board members disassociating from a particular decision by stating their reservation therewith, without preventing consensus from being reached; and/or

(d) Board members requiring that their position on the relevant matter be formally recorded in the report of the relevant meeting; and/or

(e) Board members electing not to join the consensus by being absent from the Boardroom.

III. Determination

8. The Co-Chairs, acting jointly and in good faith, shall determine whether all efforts at reaching consensus in respect of a particular draft decision have been exhausted, following consultations with all Board members and alternate members.

9. In making such a determination the Co-Chairs shall take into consideration, as relevant:

(a) Whether consultations on the relevant matter have occurred during and/or between Board meetings, in accordance with section II above, including between the Co-Chairs and/or relevant members and, as appropriate, the Secretariat, independent units, and/or relevant committee or group, without consensus being reached, and the extent of those consultations;

(b) Whether the subject matter of the draft decision has been considered at prior Board meetings without consensus being reached; and

(c) Whether, and how many, members of the Board have indicated that they cannot join consensus on an issue, notwithstanding other means of registering their position without preventing consensus from being reached.

10. In addition, when making such determination, the Co-Chairs shall take into account whether a decision on the relevant matter is urgent or necessary to safeguard the interests or reputation of the GCF, or to ensure the continued operations of the GCF.

11. If a question arises as to whether all efforts at reaching consensus in respect of a particular draft decision have been exhausted, in accordance with these Procedures, the Co-Chairs will, acting jointly, make a determination. If there is an objection to such determination, the determination as to whether all efforts at reaching consensus have been exhausted shall be put to a vote in accordance with the voting procedures and shall be deemed to be confirmed if at least four-fifths of Board members present and voting vote in favour of such determination.

IV. Scope of the Procedures

12. These Procedures shall not apply to:

(a) Any policy decision on financial instruments and/or financial terms that excludes a certain developing country or countries from accessing any financial instruments and/or financial terms available through the GCF;

(b) Any decision to amend these Procedures;

(c) Any decision to recommend an amendment to, or that conflicts with, the arrangements between the GCF and the Conference of the Parties;

(d) Any decision proposed for approval between meetings in accordance with paragraphs 41–44 of the Rules of Procedure, unless otherwise permitted pursuant to those Rules;

(e) Any decision related to moving and/or selecting the Headquarters of the GCF;

(f) Any decision pursuant to paragraph 72 of the Governing Instrument;

(g) Any decision to amend the Rules of Procedure; and

(h) Any contributions policy that allows for geographic or sectoral restrictions.

13. In respect of any other decision, where pursuant to section III above it has been determined that all efforts to reach consensus have been exhausted:

(a) The provisions of section VI shall apply to any decision pursuant to which the Board appoints any Board-appointed official; and

(b) The provisions of section V shall apply to any other decision which is duly put to the Board.

V. Voting procedure

14. Where this section V applies, promptly following the determination that all efforts to reach consensus have been exhausted, the Co-Chairs shall announce the start of the formal voting process.

15. Prior to any votes being cast, the Co-Chairs shall provide a hard copy of the draft decision to each Board member. Such draft decision shall be the version of the decision (including annexes, if any) that, in the Co-Chairs' judgment, was supported by the greatest number of Board members.

16. The Co-Chairs retain their right to vote when formal voting procedures are being used, and the alternate members of the Co-Chairs shall not be entitled to vote.

17. Each Board member shall be entitled to one vote.

18. Votes shall be cast by each Board member simultaneously using voting facilities installed or made available in the Boardroom. Board members shall vote in favour or against the draft decision, or indicate that they are abstaining from the vote.

19. While votes are being cast, no one shall be permitted to intervene until the results of the vote have been announced, unless an issue is raised by a Board member in connection with the process of voting.

20. Votes cast shall be tallied by the Executive Director and announced by the Co-Chairs.

21. If at least a four-fifths majority of Board members present and voting vote in favour of the draft decision, the draft decision shall be considered adopted, unless four or more developed country Board members or four or more developing country Board members vote against it.

22. Board members may, after the results of a vote have been announced, make a brief statement to explain their vote.

23. Votes cast by each Board member participating in a vote shall, unless otherwise agreed by the Board on a case-by case basis, be recorded in the report of the meeting, together with any statements they may have made prior to or after the vote.

24. Decisions adopted by the Board pursuant to these Procedures shall be reflected in the compendium of decisions as decisions adopted pursuant to a vote, indicating the final tally of votes, but not the associated Board member(s).

VI. Procedure for confidential balloting

25. Where this section VI applies, the Co-Chairs shall announce that the matter shall be resolved via a formal confidential balloting process under which confidential ballots shall be cast in rounds of balloting.

26. Balloting shall take place as soon as practicable following the determination that all efforts at reaching consensus have been exhausted, noting the need to arrange for the participation of independent observers. It shall take place in a closed setting and be presided

over by the Secretary to the Board. Presence in the room shall be limited to those needed for the conduct of balloting.

27. All Board members shall be entitled to participate in the balloting process. Each such member shall be entitled to one ballot in each round of balloting.

28. Before the first round of balloting takes place, the Co-Chairs shall propose, and seek the agreement of the Board on, how the rounds of balloting shall take place.

29. For each round, ballots shall be counted in the presence of independent observers.

30. The count of ballots shall not be revealed to the Board at any time.

31. While ballots are being cast, no one shall be permitted to intervene until the balloting round has been completed, unless an issue is raised by a Board member in connection with the process of balloting.

32. If more than two options are being considered by the Board in the balloting process, in each round the option with the least support shall be eliminated from subsequent rounds of balloting.

33. Balloting shall continue until at least two-thirds of all ballots cast in a single round of balloting support one of the options being considered by the Board.

34. The outcome identified in paragraph 33 shall be put to the Board for confirmation by consensus.

Annex IV: Report of the Performance Oversight Committee of the Heads of Independent Units to the Board

This annex was distributed to the Board on a limited distribution basis.

Annex V: Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund

I. Scope, purpose, and applicability

1. This Policy on Ethics and Conflicts of Interest for Active Observers of the Green Climate Fund sets out principles and ethical standards for the effective participation of the Active Observers in the meetings of the Board of the Fund. The Governing Instrument for the Fund specifies that the Board will invite two civil society representatives and two private sector representatives, to participate in its meetings as Active Observers.

2. As the Active Observers may, upon invitation of the Co-Chairs, participate in meetings of the Board and receive, in accordance with applicable rules and procedures and with the Fund's disclosure policies, Board meeting documents, this Policy has been adopted by the Board to provide guidance on matters of professional and personal behaviour of Active Observers, in connection with their participation in the meetings of the Board.

3. The Policy is in furtherance of the general principle set out in the Governing Instrument that the Fund shall operate in a transparent and accountable manner guided by efficiency and effectiveness.

4. The Policy acknowledges the role that Active Observers play in ensuring the transparency and accountability of the Fund's operation, and underpins the willingness of the Board to promote the input and participation of stakeholders throughout this process with a view to strengthening the role that they will play.

II. Definitions

5. For the purposes of the Policy, the following terms shall have the meaning set out below:

(a) **Active Observers** means the four representatives, comprising two from developed and two from developing countries referred to in paragraph 16 of the Governing Instrument and paragraphs 2(a) and 37 of the Rules of Procedure of the Board, invited by the Co-Chairs, in consultation with the Board, to participate as active observers of the Board;

(b) **Associated Institution** means:

(i) Any entity, agency, organization, corporation, administration or similar institution in which a Covered Individual is serving as an officer, director, shareholder, person with an ownership interest, Stakeholder, trustee, business partner or employee or for which the Covered Individual is working as consultant, that receives or may reasonably be expected to receive directly or indirectly funding from the Fund or with which the Fund has, either directly or through an intermediary, a formal agreement, contract or memorandum of understanding;

(ii) Any entity, agency, organization, corporation or administration with whom a Covered Individual is applying for, or negotiating to have, an arrangement concerning employment or consultancy, that receives directly or indirectly funding from the Fund or with which the Fund has, either directly or through an intermediary, a formal agreement, contract or memorandum of understanding;

(c) **Board** means the Board of the Fund;

(d) **Co-Chairs** means the two co-chairs elected by the Board;

(e) **Confidential Information** means information that is marked as proprietary and/or confidential and excludes information obtained from a third party by the Covered Individual without a breach of confidentiality or in the public domain;

(f) **Covered Individuals** means the Active Observers referred to in paragraph 16 of the Governing Instrument and paragraphs 2(a) and 37 of the Rules of Procedure of the Board;

(g) **Ethics and Audit Committee** means the committee of the Board established by decision B.05/13, paragraph (e);

(h) **Executive Director** means the executive director of the Fund Secretariat as referred to in paragraph 20 of the Governing Instrument;

(i) **Fund** means the Green Climate Fund;

(j) **Fund-related Activity** means any activity which is financed, administered or supported by the GCF, either by its own resources or those of others, or any activity that materially affects or may materially affect or otherwise be relevant to the Fund;

(k) **Gift** means any gratuity, favour, discount, entertainment, hospitality, loan, forbearance, honorarium or other item having monetary value but does not include funding received during the normal course of operations of active observers' organizations and disclosed in accordance with this Policy. Gifts include services as well as gifts of training, transportation, local travel, lodgings, and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred;

(l) **Governing Instrument** means the Governing Instrument for the Fund;

(m) **Harassment** means unwelcome verbal or physical behaviour that unreasonably interferes with work or creates an intimidating, hostile or offensive work environment;

(n) **Immediate Family Members** means a Covered Individual's spouse, domestic partner recognized under law and dependents;

(o) **Policy** means this policy on ethics and conflicts of interest for Active Observers of the Green Climate Fund;

(p) **Prohibited Practices** means any of the following practices in relation to Fund-related Activities:

(i) **Corruption** or **Corrupt practice** means the promise, offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, entertainments, favours, invitations, and benefits of any kind) or any undue advantage, or any act or omission that involves the abuse of authority or functions, for the purpose of influencing or to causing to influence improperly the actions of another party, or for the purpose of obtaining an undue advantage for oneself or for another party;

(ii) **Fraud** or **Fraudulent practice** means any act or omission, including misrepresentation or concealing material fact, that knowingly or recklessly misleads, or attempts to mislead, a party for the purpose of obtaining a financial or other undue advantage for oneself or for a third party, or to avoid an obligation;

(iii) **Coercion** or **Coercive practice** means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party for the purpose of improperly influencing the actions of a party;

(iv) **Collusion** or **Collusive practice** means an arrangement between two or more parties designed to achieve an improper purpose, including for the purpose of improperly influencing the actions of another party;

(v) **Obstructive practice** includes:

(1) Deliberately destroying, falsifying, altering, concealing, or unreasonably withholding evidence or other requested information, documents or records, which are material to a Fund investigation;

(2) Making false statements to investigators in order to materially impede a Fund investigation;

(3) Threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to a Fund investigation or from pursuing a Fund investigation; or

(4) Materially impeding the Fund's contractual rights of audit or access to information;

(vi) Abuse means theft, misappropriation, waste or improper use of property or assets related to a Fund-related Activity, either committed intentionally or through reckless disregard;

(vii) Money Laundering[1] is as more clearly defined in Clause 12 (g) of the GCF AML/CFT Policy and refers to : (a) the conversion or transfer of property, knowing that such property is derived from the crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions; (b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of or rights with respect to property, knowing such property is derived from crime; or (c) the acquisition, possession or use of property knowing at the time of receipt such property was derived from a criminal offence;

(viii) Retaliation against Whistleblowers or Witnesses means any detrimental act, direct or indirect, recommended, threatened or taken against a Whistleblower or Witness (as such terms are defined in the relevant GCF policy), or person associated with a Whistleblower or Witness, because of his or her report of suspected Wrongdoing or cooperation with a Fund investigation by the Whistleblower or Witness; and

(ix) Financing of Terrorism or Terrorist Financing is defined as the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

(q) **Secretary to the Board** means the staff member of the Secretariat of the Fund serving as secretary to the Board; and

(r) **Stakeholder** means a person having a proprietary or economic interest in an entity.

[1] Based on definitions used in the Interim Policy, as elaborated in the AML/CFT Policy (decision B.18/10).

III. Basic standard of conduct

6. Amongst accredited observers, only the Covered Individuals are allowed to participate in the meetings of the Board. The opportunity of such attendance carries certain responsibilities. It is the duty of each Covered Individual to maintain the highest standards of integrity and ethics in their personal and professional conduct, to comply with this Policy and all policies of the Fund as and when in effect and all laws, rules, and regulations to which he or she is subject.

7. In order to reflect the importance of the Policy and the obligations contained in it, Covered Individuals shall, upon nomination as an Active Observer and being invited to participate in meetings of the Board and prior to attending every subsequent Board meeting, read and sign the Declaration of Confidentiality and Conflicts of Interest for Active Observers, a template of which is contained in Appendix I to the Policy, to be deposited with the Secretary to the Board.

8. Covered Individuals shall, in their interactions with others, act with tolerance, sensitivity, and respect for cultural differences. Any form of discrimination based on any ground, such as gender, race, colour, national, ethnic or social origin, language, religion or belief, membership of a national minority, disability, age or sexual orientation shall be against the Policy.

9. Covered Individuals shall abide by the following standards of conduct:

(a) Covered Individuals shall in good faith seek not to act in a manner that undermines the objectives and guiding principles of the Fund. In particular, Covered Individuals shall refrain from engaging in Prohibited Practices or Harassment;

(b) Covered Individuals must not encourage anyone to take any actions in violation of paragraph 9(a) above or to engage in any Prohibited Practice or Harassment; and

(c) Covered Individuals must disassociate themselves from, and report to the Ethics and Audit Committee, any suspected misconduct in connection with the Fund or the activities of the Fund, including those actions that violate paragraph 9(a) above or constitute any Prohibited Practice and/or Harassment, when it comes to their attention, in accordance with the procedure set out in section V below.

IV. Participation at the meetings

10. When participating in board meetings as an Active Observer, the Covered Individuals will focus their interventions on the merits of the subject-matter under discussion and shall in good faith act in furtherance of the objectives and guiding principles of the Fund.

11. Covered Individuals shall in the view of the Board not interfere with Board members, alternate Board members, their advisers, invited experts, other observers or the Secretariat, in any way which may hinder the work of the Board or the Fund.

12. Covered Individuals shall consistently attend Board meetings. However, they shall not attend any executive sessions of the Board unless explicitly invited by the Co-Chairs, in consultation with the Board. They may attend as observers the meetings of a Board committee or working group in special circumstances and if expressly authorized by the Board or the relevant Board committee or working group.

V. Non-compliance with the Policy

13. Alleged breaches of a provision of the Policy by a Covered Individual shall be referred to the Ethics and Audit Committee.

14. The Ethics and Audit Committee shall afford such Covered Individual an opportunity to explain the alleged breach of the Policy.

15. The Covered Individual who is alleged to have violated the Policy will be informed in writing and will be provided the opportunity to present his or her views of the alleged violation to the Ethics and Audit Committee who will then make a recommendation to the Board on action to be taken against the Covered Individual. Pending the assessment of the alleged violations, the Covered Individual shall follow any measures that the Ethics and Audit Committee may determine to be taken on a temporary basis which may include placement of limits on their participation in the meetings or suspension. Non-compliance with this Policy may lead the Board to exclude such Covered Individual from the meeting in question and potentially from future meetings of the Board. The corresponding observer constituency may subsequently be requested to consider a replacement.

16. A Covered Individual against whom action has been taken pursuant to paragraph 15 above may appeal that action to the Board.

VI. Conflicts of interest

17. A conflict of interest arises when a Covered Individual has an interest, which may include but is not limited to a financial interest, that could, or reasonably could be perceived to, improperly influence the performance of her or his conduct as an Active Observer. It is acknowledged, however, that Covered Individuals are serving in a representative capacity of the broad group of civil society or private sector organizations, as the case may be, which themselves may have inherent interests in the outcome of issues before the Board. The Covered Individuals shall inform the accredited observer organizations and the broader group of civil society or private sector organizations they represent of this Policy in order to avoid the Covered Individuals from being put in breach of this Policy.

18. In general, and without limitation, conflicts of interest may be deemed to exist in the following situations:

(a) Where a Covered Individual's interests, or the interests of an Immediate Family Member or Associated Institution (other than the civil society or private sector organizations the Covered Individual is representing) could affect the conduct of his or her participation in the meetings of the Board or result in a reasonable perception that a conflict of interest exists; and

(b) Where the Covered Individual's actions create the perception that the Covered Individual is using his or her position at the Fund for his/her personal benefit or for the benefit of an Immediate Family Member or an Associated Institution.

19. If there is doubt whether a conflict, actual, apparent or perceived, exists, the Covered Individual concerned shall promptly refer the matter to the Chair of the Ethics and Audit Committee for guidance.

20. In order to avoid conflicts of interest and to strengthen the proper, transparent and independent governance of the Fund and its governing bodies, Covered Individuals shall, upon nomination as an Active Observer and being invited to participate in meetings of the Board, submit to the Secretary to the Board a list of their functions and roles outside the Fund that

would have relevance or potential relevance to the business of the Fund and shall update such a list if and when required to reflect amendments. The Ethics and Audit Committee shall review the declaration but shall not make this list publicly available. Where a specific case of a conflict of interest arises the Ethics and Audit Committee will disclose it to the full Board and to the Executive Director.

21. Each Covered Individual shall:

(a) Exercise personal discretion in deciding whether he or she has an actual or perceived conflict of interest with respect to any matter under consideration by the Board; and

(b) Remain committed to observing, developing and implementing the principles embodied in this Policy in a conscientious, consistent and rigorous manner.

VII. Procedure when a conflict of interest arises

22. Covered Individuals must make a timely and full disclosure in any situation where they have a conflict of interest or where an appearance of a conflict of interest may reasonably be perceived. If a conflict of interest or the appearance of a conflict of interest arises, the Covered Individuals should take action, as appropriate, to address the conflict.

23. As a matter of principle, Covered Individuals shall disclose to the Head of the IIU and the Chair of the EAC any actual or perceived conflict of interest they may have in relation to any items on the agenda of Board meetings. Unless the EAC, in consultation with the Head of the IIU, directs otherwise, the Covered Individual shall be recused from participating in discussions of that item. A recused Covered Individual shall refrain from attempting to exert personal influence in connection with the issue being discussed or decided.

24. All actual or potential conflicts of interest or the reasonable appearance thereof that are not addressed through the recusal of the Covered Individual shall be immediately disclosed in writing to the Ethics and Audit Committee. In addition, any official of the Fund or any individual or entity may bring an actual or potential conflict of interest of a Covered Individual to the attention of the Ethics and Audit Committee.

25. The Ethics and Audit Committee shall promptly review these disclosures or any alleged conflicts of interest communicated to it and determine whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which such a Covered Individual may participate in any discussion of the issue that has given rise to the conflict, or to take any other action to manage, reduce, or eliminate the conflict. The Ethics and Audit Committee may also bring any conflicts of interest issue to the Board for further consideration and decision.

26. When it is determined by the Ethics and Audit Committee that an actual or potential conflict of interest exists, the Covered Individual shall not participate in the matter that has given rise to the conflict absent a waiver from the Ethics and Audit Committee or, if the matter has been referred to the Board, from the Board, and shall follow any other relevant direction given by the Ethics and Audit Committee or the Board.

VIII. Documentation of conflicts

27. The existence and resolution of the conflict of interest must be documented in the proceedings and/or report of the Board meeting at which such conflict of interest or an appearance of a conflict of interest arose.

IX. Transparency and disclosure of information

28. Covered Individuals explicitly acknowledge that they may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that they shall at all times respect the confidentiality of such information, and shall not disclose such information to anyone or use for the purpose of furthering their personal interest or the personal interest of any other person or entity for whom or which such information is not intended. The Covered Individuals shall comply with the information disclosure policies of the Fund. Covered Individuals shall not seek access to any documents containing confidential information or documentation relating to any agenda item where their participation is excluded.

29. Covered Individuals shall not disclose, both during and after their term of office, Confidential Information obtained from the Fund and/or project participants, without the written consent of the Fund and/or the provider of the information. If a Covered Individual believes that Confidential Information may have been improperly disclosed, he or she shall promptly inform the Ethics and Audit Committee and the Executive Director.[2]

30. Covered Individuals shall consult the Executive Director if they have doubts as to whether certain information is deemed confidential.

X. Gifts and entertainment

31. All Covered Individuals and their Immediate Family Members are prohibited from accepting Gifts under circumstances where it could reasonably be construed that the Gift is motivated by the position of the Covered Individual in relation to the Fund and interests that could be substantially affected by the Fund.

32. All Covered Individuals and their Immediate Family Members are prohibited from giving Gifts where it could reasonably be construed that the Gift is intended to affect the policies or practices of the Fund or any of the programmes it funds.

33. Covered Individuals shall disclose any funding received during the normal course of operations of active observers' organizations to the Ethics and Audit Committee.

XI. Employment by the Secretariat

34. Any Covered Individual and Immediate Family Member shall not be eligible for employment by the Secretariat, including as a consultant, until one and a half years following the last date of service of the Covered Individual in the relevant position. The Board may waive this provision upon recommendation from the Ethics and Audit Committee. A request for such a waiver must be submitted by the individual concerned to the Ethics and Audit Committee before he or she applies for employment by the Secretariat. The Secretariat shall not take action on or accept an application for employment from such an individual unless a waiver has been granted by the Board.

[2] The Executive Director is to be informed promptly in order to manage any potential liability towards third parties to whom the Fund has confidentiality obligations, for example under a non-disclosure agreement.

XII. Review and amendment

35. The Board shall keep the Policy under regular review and, on the recommendation of the Ethics and Audit Committee, amend the Policy, as necessary, to ensure that the highest ethical standards are applied to the Covered Individuals.

XIII. Effective date

36. The Policy shall come into effect upon adoption by the Board and shall remain in effect until amended or superseded by the Board.

37. Covered Individuals who have Active Observer status at the time this Policy comes into effect shall submit the signed Declaration of Confidentiality and Conflicts of Interest promptly upon the effective date of the Policy in accordance with paragraph 7 above and a list of roles and functions outside the Fund in accordance with paragraph 20 above.

38. Amendments to the Policy and any amendments thereto shall come into effect in accordance with paragraph 36 above.

Appendix I: Declaration of Confidentiality and Conflicts of Interest for Active Observers of the Green Climate Fund

I hereby undertake to act in the performance of my role and responsibilities as an Active Observer in the general interest of the Green Climate Fund.

I solemnly declare that I accept and will be bound by the policy on ethics and conflicts of interest for the Active Observers of the Green Climate Fund.

I explicitly acknowledge that I may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's information disclosure policies and agree that at all times I shall respect the confidentiality of such information and shall not use such information for the purpose of furthering my personal interest or the personal interest of any other person or entity for whom or which such information is not intended. I shall comply with the information disclosure policies of the Fund.

I shall disclose to the Ethics and Audit Committee, as the case may be, any interest in any matter under consideration by the Board which may constitute a conflict or potential conflict of interest or which might be incompatible with the requirements of integrity and transparency in my role as an Active Observer and I shall refrain from participating in the proceedings of the Board in relation to such a matter, unless a waiver has been granted by the Ethics and Audit Committee or the Board.

Except as disclosed pursuant to the Policy on ethics and conflicts of interest for active observers of the Green Climate Fund, I confirm that at present, I have no personal, contractual or financial interest in an Associated Institution.

____

Name of Active Observer

____

Signature

____

Date

Annex VI: List of conditions

The approval of the restructuring paper for FP015 (RP1) shall be conditional upon the satisfaction of the conditions set out in the table below.

	Conditions
RP1 (UNDP Tuvalu FP015)	General condition: (a) Signature of the amendment to the funded activity agreement ("FAA") in a form and substance satisfactory to the GCF Secretariat within 180 days from the date of Board approval. Satisfaction of the following conditions prior to the signing of the amendment to the FAA: (i) Completion of the due diligence to the GCF Secretariat satisfaction. Satisfaction of the following conditions prior to fourth disbursement under the FAA: (ii) Delivery to the GCF by the accredited entity, in a form and substance satisfactory to the GCF Secretariat, of: (i) a detailed revised procurement plan, which shall reflect the changes proposed by the accredited entity in the restructuring paper; (ii) a detailed technical design, based on current and future (climate change) hydrodynamic information of the ocean-facing shore of Fogafale; (iii) a detailed technical design for the land reclamation in Fogafale, which shall include: (a) a statement of the Government of Tuvalu endorsing the engineering of the proposed land reclamation which shall be designed to remain flood free under a stated sea level rise design horizon and projected tropical storm return period; and (b) the underlying analysis of hydrodynamics on the ocean-facing side of Funafuti under current and future forecasts of sea level rise and tropical cyclones; (iv) the full and complete environmental and social impact assessment and updated environmental and social management plan, which shall have been disclosed in accordance with the GCF information disclosure policy and within the period for disclosure provided in such policy, which shall be counted in advance of the date in which the fourth disbursement of GCF proceeds is expected to be made; and (v) a detailed revised budget which shall reflect the changes proposed by the accredited entity in the restructuring paper, including the detailed budget notes on unit costs and quantities including any estimates and assumptions applied. Satisfaction of the following conditions prior to last disbursement under the FAA: (iii) Delivery to the GCF by the accredited entity of an exit strategy, in a form and substance satisfactory the GCF Secretariat, that includes information on the expected use by the Government of Tuvalu of the land reclaimed under sub-activity 2.2.1. Insertion of the following covenants in the amendment to the FAA: (iv) The accredited entity shall ensure that (i) the infrastructure civil works to be implemented as part of the Funded Activity are designed, constructed, operated and decommissioned in accordance with good international industry practices and any other applicable standards, taking into consideration safety risks to third parties or affected communities, and (ii) the quality of such infrastructure civil works is in accordance with international best practices; and (v) The Accredited Entity shall inform the Fund as soon as any information (including, but not limited to, consultation processes, planning documents, project proposals) is publicly available or in case any decision by the Government of Tuvalu or any other competent authority is made with regards to the use of the reclaimed land in Fogafale.

Annex VII: 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, B.18/05, B.19/14, and B.22/09, the Board expanded the list of entities eligible to apply under the same fast-track approach, assuming all prerequisite criteria were met to include those under the GEF, the AF and DG DEVCO up to and including 9 July 2015, 9 March 2016, 14 October 2016, 17 December 2016, 6 July 2017, 2 October 2017, 1 March 2018 and 28 February 2019, respectively.

3. The entity presented below has been accredited by AF since 28 February 2019. No new entities have been accredited by the GEF and DG DEVCO since that time that are seeking to become eligible for fast-track accreditation to GCF.

II. Adaptation Fund

Table 4: The Adaptation Fund – national implementing entities since 28 February 2019[a]

Name	Acronym	Country
Ministry of Water and Environment	MWE	Republic of Uganda

[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.33/8, available at <https://www.adaptation-fund.org/wp-content/uploads/2019/03/AFB33_decisions_clean1.pdf>.

4. The national direct access entity listed in table 4 has been confirmed via evidence provided by the entity regarding its successful accreditation as a National Implementing entity of the Adaptation Fund (decision B.33/8) on 1 April 2019.

Annex VIII: Compliance risk policy

I. Introduction

1. In order to uphold and commit to achieving the highest standards of integrity, ethics and transparency in the conduct and governance of all its activities as expected of an international organization, and to minimize reputational risks that GCF may encounter, a proper compliance framework is required for GCF. It should be noted that this document sets out a principles-based policy to provide guidance regarding the roles and responsibilities across major activities for the compliance risks relevant to the GCF.

2. This policy is designed to promote a culture of compliance and setting a "tone at the top"[1]. This document presents an important element of the risk management framework (RMF), the policy governing compliance risk management for GCF.

II. Objective and scope

2.1 Objective

3. The compliance risk policy (hereinafter "the policy") provides a framework to deal with compliance risks. The policy is aligned with the fit-for-purpose compliance framework (hereinafter "the compliance framework") and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) principles that were adopted by GCF.[2] This document deliberately aims to be aspirational as the underlying framework and capabilities are built in the context of GCF business.

4. This policy applies to all GCF Personnel[3], to protect GCF, and its reputation, from being misused in compliance-related incidents by ensuring they discharge their responsibilities in a manner that enables the full implementation of this policy. This policy does not apply to GCF's accredited entities (AEs), delivery partners (DPs) and/or any other external party to the GCF.

2.2 Definition and scope of compliance risk

5. Compliance risk for the GCF arises because the following may occur:

(a) Internal compliance breaches as set out in risk code 1.1 of the risk register adopted pursuant to decision B.17/11;[4]

(b) External compliance breaches as set out in risk code 1.2 of the risk register adopted pursuant to decision B.17/11; and

(c) Inappropriate investment activities and violation of fiduciary duty.

[1] Defined as the commitment of the board and senior managerial levels of an organization towards openness, honesty, integrity, and ethical behaviour.
[2] Decision B.BM-2015/06.
[3] GCF Personnel means (i) all persons appointed to a post in the GCF under a letter of appointment, and (ii) any other individual contracted and/or engaged by the GCF to perform official functions for the GCF.
[4] This policy shall not apply to policies set out in risk code 1.1 to the extent that such policies have their own control and remedial frameworks built into such policies.

6. To further detail the compliance risks and fully define the scope, the Secretariat shall develop a list of relevant compliance risk events[5] with responsible control oversight functions assigned within the Secretariat. The comprehensive list of the compliance risk events and assigned control oversight functions are outlined in the compliance risk categorization overview.

2.3 Guiding principles

7. The GCF compliance framework has the objectives of establishing and maintaining effective GCF-wide compliance risk management. Taking into consideration the fact that GCF is an evolving and growing organization, policy design is based on the principle of establishing a risk-based ex ante approach defining controls and monitoring commensurate to the expected impact and likelihood of occurrence of a compliance risk event.[6]

8. The following provides guidance on the three levels of responsibilities in managing compliance risk:

(i) **First Level of Responsibility (First Level)**: the First Level of compliance risk management and control is with the accountable units, who are the primary owners and managers of compliance risk as part of their standard business operations. The First Level functions lie within the Secretariat and shall be designated in accordance with paragraph 12;

(ii) **Second Level of Responsibility (Second Level)**: the Second Level is independent from the First Level and ensures risks are appropriately managed given the asymmetric incentives, short-termism and optimism of risk takers. The Second Level is also known as the control oversight function. Second Level responsibilities lie within the Secretariat and shall be designated in accordance with paragraph 12; and

(iii) **Third Level of Responsibility (Third Level)**: the Third Level focuses on the independent review, assurance and accountability of the actions and interactions of the First and Second Levels, and of the compliance framework for potential deviations from its original intentions. The Third Level will develop and perform audits, reviews and other 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 risks of GCF appropriately. Third Level responsibilities rest with the Office of the Internal Auditor, the Independent Evaluation Unit (IEU), the Independent Redress Mechanism (IRM) and the Independent Integrity Unit (IIU) within the scope of their respective terms of reference (TOR).

9. In the event of any inconsistency between this policy and the TORs of the independent units, the TORs of the independent units shall prevail.

10. The First and Second Levels shall collaborate with the Third Level and provide timely information which the Third Level determines to be necessary to facilitate the implementation of its respective responsibilities under this policy.

[5] Compliance risk events refer to the incident that occurs as a result of a breach in a compliance risk.
[6] Further definition of expected impact and likelihood of occurrence to be included in the compliance risk assessment manual (an internal manual on conducting the compliance risk assessment developed by the compliance function for the Secretariat).

11. To ensure that the three levels have non-conflicting interests and are independent of each other, none of the divisions or units may be assigned overlapping responsibilities for the same process.

12. The Executive Director shall designate the First and Second Level functions and responsibilities based on the results of the compliance risk assessment.

III. Definition of terms

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

(a) **Compliance framework:**

(i) The compliance framework is an overarching framework comprising the compliance-related components necessary to operationalize an effective compliance risk management practice in GCF; and

(ii) The compliance framework shall include the following elements:

(1) **Compliance risk categorization overview**: outlines all types of compliance risk events that are potentially in scope for GCF and will continue to evolve over time as a growing document;

(2) **Compliance risk assessment manual**: outlines the detailed process of the compliance risk assessment that ensures a risk-based approach to managing compliance risks at GCF; and

(3) Gap analysis of compliance-related policies: outlines relevant internal policies in place to manage compliance risk events at GCF.

(b) **Compliance function:** There shall be designated within the Secretariat a compliance function, whose responsibilities, in addition to those set out in this policy, shall be determined by the Executive Director.

(c) Control oversight function:

(i) The control oversight function is the Second Level within the three levels of responsibilities framework for compliance risk. It is responsible for supporting the First Level in identifying, assessing, mitigating and monitoring compliance risk events; and

(ii) The control oversight responsibility is designated to the most appropriate function identified as an outcome of the compliance risk assessment;[7]

(d) Investment-related and administrative business process:

(i) The controls management process within the policy is structured based on the key investment-related and administrative business processes of GCF;

(ii) The key investment-related processes[8] include:

(1) Accreditation and entity relationship management;

[7] The compliance risk assessment involves preparing a comprehensive list of all relevant compliance risk events to be assessed for their respective risk levels. This assessment is then reviewed by the compliance function, upon which mitigation actions and controls can be assigned to effectively mitigate the risk.

[8] Please note the list of investment-related business processes is not exhaustive and is subject to developments.

(2) Readiness and preparatory support, including national adaptation planning, (hereinafter “readiness”) and Project Preparation Facility (PPF) proposals, concept notes and funded activity proposal reviews;

(3) Disbursements for all funding requests;

(4) Readiness, PPF and funded activity monitoring; and

(5) New financial instrument development.

(iii) The key administrative business processes[9] include:

(1) Procurement;

(2) Contract handling;

(3) Data handling;

(4) Personnel recruitment and management; and

(5) Knowledge management.

IV. Managing compliance risks

14. To ensure effectiveness and efficiency in carrying out activities necessary to manage the compliance risks referred to in paragraph 5, the Second Level shall have:

(a) The authority to request and receive all relevant and necessary documents and paper or electronic data from the First Level; and

(b) The right to provide compliance considerations to be factored into relevant business decisions.

15. Furthermore, the Heads of each designated First Level division and/or unit have the authority to perform the aforementioned tasks (i.e. paragraphs 14 (a) and (b)) for their respective personnel.

V. Roles and responsibilities – compliance risk management

16. The roles and responsibilities for compliance risk management are based on the following key functional compliance activities:

(a) Risk identification;

(b) Risk assessment;

(c) Controls management (investment-related business processes, administrative business processes);

(d) Monitoring and reporting;

(e) Risk mitigation;

(f) Training and communication.

17. In addition, IEU – in its Third Level capacity within the context of this policy – may, upon request, provide to the Board and Senior Management of the Secretariat assessments and evaluation reports of the effectiveness and efficiency of risks identified, assessed and mitigated.

[9] Please note the list of administrative business processes is not exhaustive.

5.1 Risk identification

18. The First Level shall work with the Second Level to define its key business processes and subprocesses, identify current and potential compliance risk events, and map them into compliance risk categories as a part of the annual[10] compliance risk assessment[11] and in alignment with the risk control self-assessment.[12]

19. The compliance function shall maintain the list of compliance risk events in its compliance risk categorization overview (which forms part of the compliance framework) and work with the First and Second Levels to update the compliance risk categorization overview on a regular basis.

5.2 Risk assessment

20. The First Level shall conduct the compliance risk assessment in close consultation with the relevant Second Level to assess the impact and likelihood of occurrence.[13]

21. The Second Level shall provide oversight of and guidance to the First Level's compliance risk assessment process, ensuring consistent application of the compliance framework, and check the First Level's risk assessment results for quality assurance.

22. The compliance function shall consolidate the results of the compliance risk assessment into the overall compliance risk matrix[14] of GCF.

5.3 Controls management – investment-related business processes

5.3.1 First Level – accreditation and entity relationship management

23. The First Level shall collect information, including, where available, written policies or descriptions on the internal controls management practices of each AE with regard to relevant checks under applicable internal policies to ensure appropriate compliance risk management for all relevant compliance risk events as outlined in the compliance risk categorization overview.

24. When applicable, the First Level shall regularly request each AE to provide a self-assessment of its compliance with the GCF accreditation requirements, 15 in accordance with the accreditation framework for AEs.

25. The First Level, in conjunction with the relevant Second Level function(s), where applicable, shall define and maintain controls for compliance risk events based on compliance risk assessment results to ensure compliance with internal policies. In addition, the First Level shall implement the defined controls, report the results of implementation to the Second Level and be responsible for collecting data and information necessary to implement these controls.

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[10] The timing and process for the compliance risk assessment may be subject to change during the initial set-up phase.
[11] Details on processes and procedures to be included in the compliance risk assessment manual.
[12] Details on processes and procedures to be included in the internal controls manual (part of the GCF risk management framework).
[13] Definitions on impact and likelihood of risk to be included in the compliance risk assessment manual.
[14] The compliance risk matrix summarizes the compliance risk assessment across all compliance risk events.
[15] Some accreditation master agreements may not have this requirement.

5.3.2 First Level – review of readiness and preparatory support, including national adaptation planning, and Project Preparation Facility proposals, concept notes and funded activity proposals

26. The First Level shall:

(a) Define and maintain controls for compliance risk events with regard to the development and review of readiness and PPF proposals;

(b) Define and maintain controls for compliance risk events with regard to the development and review of concept notes and funded activity proposals;[16]

(c) Perform these functions, in conjunction with the Second Level, based on the results of the compliance risk assessment and any other assessment[17] to ensure compliance with the investment framework, fiduciary standards and other GCF internal policies;

(d) Implement the defined controls and report the results of implementation to the Second Level; and

(e) Be responsible for collecting the relevant data and information necessary to implement these controls.

5.3.3 First Level – first disbursements

27. The First Level, in conjunction with the relevant Second Level function, shall define and maintain controls for compliance risk events with regard to the first disbursement of funds based on the compliance risk assessment results and compliance with the accreditation master agreement (AMA), funded activity agreement (FAA) and readiness/PPF grant agreements. In addition, the First Level shall implement the defined controls, report the results of implementation to the Second Level and be responsible for collecting the relevant data and information necessary to implement these controls.

5.3.4 First Level – readiness, Project Preparation Facility, and funded activity monitoring and subsequent disbursements

28. The First Level, in conjunction with the Second Level, shall define and maintain controls for compliance risk events with regard to the monitoring of readiness, PPF, and funded activities and subsequent disbursements based on the compliance risk assessment to ensure compliance with the AMA, FAA, readiness and/or PPF grant agreements, as appropriate. In addition, the First Level shall implement the defined controls and report the results of implementation to the Second Level, and be responsible for collecting data and information necessary to implement these controls.

5.3.5 Second Level – investment-related business processes

29. The Second Level shall be responsible for the following activities:

(a) Providing support in the definition of controls to the First Level;

(b) Monitoring and tracking progress of controls implementation;

[16] This includes proposals submitted through request for proposal, simplified approval process and enhanced direct access.

[17] For readiness and Project Preparation Facility proposals, this includes results from the financial management capacity assessment.

(c) Providing input on the data and information supporting the implementation of controls for the process, as collected by the First Level; and

(d) Reporting critical control insufficiencies to the compliance function.

5.4 Controls management – administrative business processes

30. The First Level, in conjunction with the Second Level, shall define and maintain controls for compliance risk events with regard to the administrative business processes for GCF, based on the compliance risk assessment results, to ensure compliance with relevant policies. In addition, the First Level shall implement the defined controls, report the results of implementation to the Second Level, and be responsible for collecting the relevant data and information necessary to implement these controls.

31. The Second Level shall be responsible for the following activities:

(a) Providing support in the definition of controls to the First Level;

(b) Monitoring and tracking progress of controls implementation;

(c) Providing input on the data and information supporting the implementation of controls for the process, as collected by the First Level; and

(d) Reporting critical control insufficiencies to the compliance function.

5.5 Monitoring and reporting

32. The First Level shall receive data input on compliance breaches, claims, investigations or proceedings commenced on the funded activity from AEs, in accordance with the relevant legal agreements, and will provide necessary data input to the Second Level for periodic reporting, including data input required to monitor compliance key risk indicators, which are the main risk metrics to be tracked by GCF as defined by the Second Level as part of the compliance risk assessment.[18]

33. The First Level will regularly monitor compliance with current readiness, PPF and funded activities through necessary reports provided by the AE, in accordance with the relevant legal agreements, and inform the Second Level, as required, of any compliance breaches, non-compliance or potential risk events. Furthermore, the First Level will inform IIU of compliance breaches, non-compliance and potential risk events within any of the integrity policies or standards of the GCF.

34. The Second Level will also review compliance-related issues raised by the First Level, and execute follow-up actions as necessary, receiving support from the compliance function or the IIU as needed and in accordance with GCF policies and procedures and in line with the relevant legal agreements.

35. The compliance function shall compile and monitor compliance key risk indicators defined by the Second Level, review periodic compliance reports as well as any notifications of compliance breaches and recommend actions if required.

36. The compliance function will report material compliance breaches or events to the Head of the Office of Risk Management and Compliance (ORMC), the Office of the Executive Director (OED)[19] and the Risk Management Committee (RMC), except for areas related to AML/CFT and

[18] Details on processes and procedures to be included in the compliance risk assessment manual.
[19] The compliance function will report directly to the Office of the Executive Director when the breach involves the Head of ORMC.

other prohibited practices.[20] The compliance function shall further report any information or allegations of integrity violations to the IIU immediately upon becoming aware of them and shall seek advice from the IIU in determining mitigation actions where red flags have been identified.

37. Upon request by the Board or SMT, the IEU – in line with its annual workplan – will evaluate and assess any risks identified and the implementation of the control and mitigation activities undertaken in turn by the First and Second Levels.

5.6 Risk mitigation[21]

38. When a compliance breach occurs, the First Level, with support from the Second Level, shall develop and implement risk mitigation actions, either developed through the compliance risk assessment or, if a new compliance risk event occurs, developed on an ad hoc basis.

39. The Second Level shall provide advice on the development of compliance risk mitigation actions, including new controls, improved controls and strengthened monitoring, to the First Level. The Second Level shall analyse risk alerts when received and ensure that appropriate compliance risk mitigation action is taken, track progress of the implementation of compliance risk mitigation actions, and regularly inform the compliance function of the progress of the compliance risk mitigation actions.

40. In accordance with the relevant legal agreements, for compliance risk events triggered by readiness, PPF or funded activities, the relevant contractual counterparties are responsible for carrying out necessary risk mitigation actions. The First Level shall be responsible for liaising with the AE or delivery partner to monitor risk mitigation actions. When deemed necessary, GCF will intervene and execute further risk mitigation actions. The risk mitigation actions shall be performed in accordance with the AMA, FAA and readiness and/or PPF grant agreements, as appropriate.

41. Upon becoming aware of credible risk of integrity violations as defined in the TOR for the IIU, GCF Personnel shall immediately inform IIU.

5.7 Training and communication

5.7.1 Compliance training

42. The compliance function shall be responsible for the following activities:

(a) Delivering training on compliance-related due diligence on a regular basis in person in order to enable the First and Second Levels to discharge their responsibilities under this Policy, through eLearning course modules and additional ad hoc, incident-based training sessions as necessary to GCF;

(b) Developing and maintaining, in conjunction with Second Level functions, compliance training toolkits and curricula complete with the training format, frequency and personnel, which is approved by OED;

(c) Ensuring alignment, in conjunction with the other Second Level functions, in respect of shared tools, processes and expert knowledge; and

[20] These will be reported to the Ethics and Audit Committee or the Independent Integrity Unit in accordance with applicable Board policies, depending on the breach committed.
[21] These provisions shall not apply to processes set out in risk code 1.1 to the extent that such processes have their own control and remedial frameworks built into other policies.

(d) Improving compliance training programmes based on feedback gathered from the First and Second Levels.

43. Human Resources and Procurement within the Division of Support Services shall maintain training history records for all GCF Personnel, as reported by the Head of each division and unit.

44. The Secretariat must stay up-to-date on the latest compliance training curriculum.

45. The Head of each designated division and/or unit shall be accountable for ensuring that covered individuals complete the required training programmes.

5.7.2 Internal and external communication

46. The Secretariat shall promote awareness and encourage compliance through regular communication with GCF Personnel and external parties.

47. The Secretariat will develop and maintain both internal and external communication plans for crisis situations as a part of its communications plan and any response plan. The details of roles and responsibilities for communications on non-compliance and compliance-related reputational risks will be outlined in the communications plan and any response plan.

VI. Administrative provisions

48. The Secretariat will develop an implementation plan for this policy. This policy will take effect on 2 September 2019.

49. This policy shall be reviewed by the compliance function 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.

Annex IX: Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy

I. Introduction

1. The Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (the "AML/CFT Standards" or "Standards") are developed to implement the Anti-Money Laundering and Countering the Financing of Terrorism Policy, decision B.18/10 (the "AML/CFT Policy") as requested by the Board by decision B.18/10, paragraph (b). These AML/CFT Standards set the minimum and mandatory benchmarks to prevent, detect, and investigate money laundering and financing of terrorism, and to control and manage related risks (collectively referred to as "ML/FT Risks"). The AML/CFT Policy and these AML/CFT Standards shall be operationalised by standard operating procedures ("SOPs) which shall be developed by the Secretariat and the Independent Integrity Unit (IIU), and shall be approved by the EAC.

1.1 Objectives

2. The AML/CFT Standards are intended to establish effective measures comparable to international best practice to enable the Green Climate Fund (the "GCF" or "the Fund") to achieve the objectives established in the AML/CFT Policy, which are:

(a) Preventing the abuse of GCF resources for money laundering ("ML") and/or financing of terrorism ("FT");

(b) Meeting applicable legal requirements and international standards in jurisdictions where the GCF and its Counterparties operate;

(c) Mitigating any reputational risk;

(d) Supporting the establishment and/or strengthening of capacities in countries to meet GCF fiduciary standards regarding AML/CFT;

(e) Guarding against establishing any relations or undertaking any transaction that may relate to or may facilitate ML and/or FT or any other illicit activity;

(f) Exercising due diligence when dealing with Counterparties, persons appointed to act on behalf of Counterparties, and connected parties of the Counterparties; and

(g) Continuously reviewing and updating its AML/CFT Policy and its corresponding AML/CFT Standards as threats and international standards evolve to prevent and detect ML and/or FT.

3. These AML/CFT Standards further aim to meet the expectation of international contributors, donors, and other key stakeholders that the GCF complies with all its policies; takes appropriate measures to prevent corrupt, fraudulent, and otherwise illegal practices, including the prevention of the use of GCF resources to finance terrorist activity; and adopts best practice fiduciary principles and standards relating to anti-corruption, countering of financing of terrorism, fraud, and anti-money laundering, as reflected in contribution agreements/ arrangements.

4. In pursuing these purposes and objectives, these AML/CFT Standards intend to prevent that the GCF is exposed to serious reputational damage, financial loss, or legal liability, which

may give rise to strong challenge by international contributors, donors, and other key stakeholders.

5. The provisions of the AML/CFT Policy and the Standards shall be applied coherently and in accordance with the scope of the GCF AML/CFT Policy, across all relevant procedures, methodologies and templates including the Accreditation Master Agreements.

1.2 Scope

6. These Standards set out specific obligations for Co-Chairs, Board Members, Alternate Members, Advisers (each defined in the Rules of Procedure of the Board of the GCF), Board-appointed Officials, External Members, and GCF Personnel in accordance with their roles and responsibilities with respect to the GCF. The SOPs shall define the roles and responsibilities within the Secretariat required to operationalise the AML/CFT Policy and these Standards.

7. The GCF shall apply these Standards to potential and existing Counterparties in accordance with the provisions of the AML/CFT Policy.

1.3 Exception

8. The procedures of the SOPs and their implementation shall be consistent with those set out in these AML/CFT Standards and the AML/CFT Policy. An exception to this rule may be permitted only upon formal request by the Independent Integrity Unit ("IIU") and approval by the Ethics and Audit Committee ("EAC") of the Board of the GCF in accordance with GCF policies, rules, and procedures. Exception requests shall be submitted to the EAC by the Head of IIU along with a recommendation by IIU. An exception should not be applied and approved unless it is considered that, without that exception, GCF operations would be seriously and adversely interrupted.

II. Definitions

9. For the purposes of these Standards, the following definitions shall be applied:

(a) **"AML/CFT Program"** refers to the overall ML/FT risks control and management components, including governance and oversight and the establishment of an Integrity Risk Management Group, Counterparty due diligence, risk assessment, financial activities monitoring, suspicious activities reporting, the AML/CFT Policy, the AML/CFT Standards, compliance, training, and record keeping;

(b) **"Bearer Negotiable Instruments (BNIs)"** refer to monetary instruments in bearer form such as: traveller's cheques; negotiable instruments (including cheques, promissory notes, and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery; incomplete instruments (including cheques, promissory notes, and money orders) signed but with the payee's name omitted;

(c) **"Bearer Shares"** refer to negotiable instruments that accord ownership in a legal person to the person who possesses the bearer share certificate;

(d) **"Beneficial Owner"** means the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement;

(e) **"Beneficiary"** refers to the person or persons who are entitled to the benefit of any trust arrangement. A beneficiary can be a natural or legal person or arrangement. In the context of life insurance or another investment-linked insurance policy, a beneficiary is the natural or legal person, or a legal arrangement, or category of persons, who will be paid the policy proceeds when/if an insured event occurs, which is covered by the policy;

(f) **"Board-appointed Official"** means the Executive Director ("ED"), the Head of the Independent Evaluation Unit ("IEU"), the Head of the Independent Integrity Unit ("IIU"), and the Head of the Independent Redress Mechanism ("IRM"), who are appointed by the Board;

(g) "**Competent Authorities"** refer to all public authorities (including financial supervisors established as independent non-governmental authorities with statutory powers) with designated responsibilities for combating money laundering and/or terrorist financing. In particular, these include the Financial Intelligence Unit; the authorities that have the function of investigating and/or prosecuting money laundering, associated predicate offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency and Bearer Negotiable Instruments; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and Designated Non-Financial Businesses and Professions with AML/CFT requirements. Self-Regulating Bodies as defined by the Financial Action Task Force ("FATF") are not to be regarded as Competent Authorities;

(h) **"Correspondent Banking"** is the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g. interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts, and foreign exchange services;

(i) **"Counterparty"** is any party that contributes to, executes, implements, bids for, or in any way participates in Fund-related Activities, including receiving a grant, loan, or other form of financing or support from the Fund. Counterparties include a contributor, Accredited Entity, Direct Access Entity, Executing Entity, delivery partner, fiscal agent, financial intermediary, vendor, and (for the purpose of the AML/CFT Policy) any entity within or to which the Secretariat directly disburses GCF resources, including for the Readiness and Preparatory Support Program;

(j) **"Designated Non-Financial Businesses and Professions (DNFBP)"** mean:

(i) Casinos, including internet- and ship-based casinos;

(ii) Real estate agents;

(iii) Dealers in precious metals;

(iv) Dealers in precious stones;

(v) Lawyers, notaries, other independent legal professionals and accountants (this refers to professionals within professional firms, not 'internal' professionals);

(vi) Trust and Company Service Providers refer to all persons or businesses providing any of the following services to third parties:

(1) Acting as a formation agent of legal persons;

(2) Acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;

(3) Providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;

(4) Acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement; and

(5) Acting as (or arranging for another person to act as) a nominee shareholder for another person).

(k) **"External Member"** means an expert serving as an external member on a panel or group established by the Board;

(l) **"Financial Action Task Force (FATF)"** is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing;

(m) **"Financial Institutions**" mean any natural or legal person who conducts as a business one or more of the following activities or operations for or on behalf of a customer:

(i) Acceptance of deposits and other repayable funds from the public;

(ii) Lending;

(iii) Financial leasing;

(iv) Money or value transfer services;

(v) Issuing and managing means of payment (e.g. credit and debit cards, cheques, traveller's cheques, money orders and bankers' drafts, electronic money);

(vi) Financial guarantees and commitments;

(vii) Trading in:

(1) Money market instruments;

(2) Foreign exchange;

(3) Exchange, interest rate, and index instruments;

(4) Transferable securities; and

(5) Commodity futures trading (it does not apply to any natural or legal person that provides financial institutions solely with message or other support systems for transmitting funds);

(viii) Participation in securities issues and the provision of financial services related to such issues;

(ix) Individual and collective portfolio management;

(x) Safekeeping and administration of cash or liquid securities on behalf of other persons;

(xi) Otherwise investing, administering, or managing funds or money on behalf of other persons;

(xii) Underwriting and placement of life insurance and other investment-related insurance; and

(xiii) Money and currency changing.

(n) **"Foundation"** refers to a non-governmental entity that is established as a non-profit corporation or a charitable trust, with a principal purpose of making grants to unrelated organisations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes. There are two types of foundations:

(i) Private Foundation derives its money from a family, an individual, or a corporation; and

(ii) Grant-making Public Charity (sometimes referred to as a "Public Foundation") derives its support from diverse sources, which may include foundations, individuals, and government agencies.

(o) **"Funds"** refer to assets of every kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets;

(p) **"Fund-related Activity"** means any activity which is financed, administered, or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund;

(q) **"GCF Personnel"** means any GCF Staff and any other individual contracted and/or engaged by the GCF to perform official functions for the GCF, excluding Board-appointed Officials and External Members;

(r) **"Integrity Risk Management Group"** is a body composed of the Executive Director, the Head of IIU, and senior managers within the GCF Secretariat that is responsible for providing strategy, direction, advice, or necessary assistance to ensure that integrity policies of the GCF are fully implemented, applied, and maintained;

(s) **"Money Laundering"** means the conversion or transfer of property, knowing that such property is derived from crime, for the purposes of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions. It is the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime, or the acquisition, possession, or use of property, knowing at the time of receipt that such property was derived from a criminal offence;

(t) **"Money or Value Transfer Service (MVTS)"** refers to financial services that involve the acceptance of cash, cheques, other monetary instruments, or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTS provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party and may include any new payment methods. Sometimes these services have ties to geographic regions and are described using a variety of specific terms, including Hawala, Hundi, and Fei-chen;

(u) **"Non-Profit Organisation (NPO)"** refers to a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social, or fraternal purposes, or for the carrying out of other types of "good works";

(v) **"Political Exposed Person (PEP)"** refers to individuals who are or have been entrusted (domestically or by a foreign country) with prominent public functions, such as Heads of State or of government; senior politicians; senior government, judicial, or military officials; senior executives of state-owned corporations; and important political party officials. It also refers to persons who are or have been entrusted with a prominent function by an international organisation, which includes members of senior management such as directors, deputy directors, members of a board, or persons who hold equivalent functions. The definition is not intended to cover middle ranking or relatively junior individuals in the foregoing categories. Immediate family members of PEPs (such as spouses, children, parents, and siblings) or close associates of PEPs (such as widely and publicly-known close business colleagues and/or personal advisors, in particular financial advisors or persons acting in a fiduciary capacity) are also included in this category as the same risks are involved as with PEPs themselves;

(w) **"Prohibited Practices"** are specific conduct as defined in decision B.22/19 *Policy on Prohibited Practices*. Prohibited Practices include Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice, Obstructive Practice, Abuse, Retaliation against Whistleblowers or Witnesses, Money Laundering, and Terrorist Financing;

(x) **"Shell Bank"** refers to a bank that has no physical presence in the country in which is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence;

(y) **"Staff"** means all persons appointed to a post in the GCF under a letter of appointment (individually, a "Staff Member");

(z) **"Suspicious Activity"** refers to any activity conducted by Counterparties, whether with monetary value or not, with connection to the GCF in whatsoever manner, and that such activity appears to have connection with money laundering, the financing of a terrorist activity, or other Prohibited Practice or criminal offence;

(aa) **"Suspicious Activity Report (SAR)"** means a report concerning a Suspicious Activity which is made to the Head of IIU for investigation and/or disclosure to Competent Authorities;

(bb) **"Terrorist Financing"** is defined as the commission of any offence as set out in Article 2 of the *International Convention for the Suppression of the Financing of Terrorism*;

(cc) **"Tipping-off"** means disclosing the fact to a Counterparty that a Suspicious Activity or related information is filed with GCF management or Competent Authorities in relation to a Fund-related Activity; and

(dd) **"Trust"** refers to the legal relationships created – intervivos or on death - by a person, the settlor, when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a specified purpose. A trust has the following characteristics:

(i) The assets constitute a separate fund and are not a part of the trustee's own estate;

(ii) Title to the trust assets stands in the name of the trustee or in the name of another person on behalf of the trustee;

(iii) The trustee has the power and the duty, in respect of which he is accountable, to manage, employ, or dispose of the assets in accordance with the terms of the trust and the special duties imposed upon him by law; and

(iv) The reservation by the settlor of certain rights and powers, and the fact that the trustee may himself have rights as a beneficiary, are not necessarily inconsistent with the existence of a trust. Settlor refers to natural or legal persons who transfer ownership of their assets to trustees by means of a trust deed or similar arrangement.

III. Roles and Responsibilities

10. All **GCF Personnel** are responsible for:

(a) Complying with the AML/CFT Policy, these AML/CFT Standards, and controls of the GCF;

(b) Familiarising themselves and acting in accordance with relevant GCF processes and procedures to manage AML/CFT compliance; and

(c) Reporting to the IIU without undue delay any suspected ML/FT activity, any Suspicious Activity, or red flag (indicator of Suspicious Activity).

11. The **Board through its Ethics and Audit Committee** is responsible for ensuring governance and oversight of GCF controls in relation to detection, prevention, investigation, and remedy of ML and FT.

12. The **Independent Integrity Unit** is responsible for monitoring the effective implementation of the AML/CFT Policy, AML/CFT Standards, and AML/CFT Program, recommending improvements thereto; providing advice on integrity and AML/CFT for the GCF and Counterparties upon request and in the discharge of its monitoring responsibilities; and conducting ML/FT investigations and proactive integrity reviews.

13. The **Integrity Risk Management Group** is responsible for providing strategy, direction, advice, or necessary assistance to ensure that GCF integrity policies including the AML/CFT Policy, AML/CFT Standards, and SOPs are fully implemented, applied, and maintained.

14. The **Secretariat** is responsible for implementing the AML/CFT Policy, AML/CFT Standards, and SOPs in day-to-day operations including conducting potential or existing Counterparty due diligence; identifying, assessing, controlling, and mitigating ML/FT risks; carrying out compliance functions; conducting AML/CFT theme audits; retaining records; and carrying out training and capacity building. In addition to the obligations stated in paragraph 10 above, all GCF Staff are obliged to inform or report any ML/FT risks of which they know or are aware of to the IIU directly, through periodic reports or upon request. The Executive Director is responsible for ensuring that the AML/CFT Program is effectively developed and maintained at the Secretariat, that the AML/CFT Policy and related policies and standards are complied with, and that sufficient GCF Personnel capacities and resources including technologies will be available and deployed to control and manage ML/FT risks.

IV. AML/CFT Risk Management

15. The GCF shall ensure that ML/FT risks are effectively managed to mitigate exposure to reputational, financial, and legal risks, as well as to protect its operations and the integrity of its resources and activities.

16. At minimum, ML/FT risk management of the GCF shall include:

(a) A fit-for-purpose AML/CFT Program to control and manage ML/FT risks in an effective manner, including the establishment of the Integrity Risk Management Group;

(b) An annual Institutional Risk Assessment, conducted under the supervision of the IIU, designed to identify the residual[1] risks to which the GCF is exposed and to assess the effectiveness of the overall AML/CFT Program;

(c) Assurances that the AML/CFT Standards and SOPs are executed and complied with effectively, including a Risk Control Self-Assessment ("RCSA") tool[2] to measure the completeness and level of compliance of the standards and procedures;

(d) An annual AML/CFT compliance review to test the effectiveness of AML/CFT controls and to formulate appropriate action plans to address identified control and compliance gaps; and

(e) AML/CFT theme audits as required.

17. The Secretariat shall ensure that outcomes and any risks or deficiencies of the assessments, reviews, and audits specified in paragraph 16(b) to (e) are reported to the ED, the IIU, and relevant divisions/offices of the Secretariat.

V. Assessing Risk and Risk-Based Approach

18. The GCF shall take all reasonable measures to identify, assess, and understand ML/FT risks, document those assessments, and apply resources to ensure the risks are managed and mitigated effectively. For this purpose, the GCF shall adopt and implement a continuous risk-based approach to ensure that measures to prevent or mitigate ML and FT are commensurate with the risks identified. Following the risk-based approach, the GCF shall implement an annual Institutional Risk Assessment to identify and understand ML/FT residual risks in its operations with a view to enhancing its systems and controls for risk mitigation and resource distribution in overall AML/CFT control and management.

VI. Counterparty Due Diligence

6.1 GCF Counterparty Due Diligence Terms

19. In accordance with paragraphs 14(a) and 14(b) of the AML/CFT Policy, the GCF Secretariat shall apply Counterparty Due Diligence ("CDD") measures, as determined in accordance with the risk-based approach, considering the type of Counterparty, Counterparty relationship, financial instrument, and country of operation, and shall identify and verify the identity of the Counterparties (including their Beneficial Owners) with which the GCF enters into a Counterparty relationship. Further, the GCF shall take reasonable measures to duly assess the purpose, economic rationale, and overall AML/CFT and related integrity aspects of the Counterparty and its Beneficial Owners to avoid being involved in relationships structured for the purposes of ML and FT.

20. Pursuant to paragraph 19 above, the GCF Secretariat shall assess ML/FT risks in potential or existing Counterparty relationships through a risk assessment methodology and process which, subject to EAC approval, shall be elaborated in the SOPs.

[1] Refers to expected, non-exceptional risks in day-to-day operations.

[2] Risk Control Self-Assessment (RCSA) is a tool to integrate and co-ordinate a firm's risk identification and risk management efforts and to improve the understanding, control, and oversight of its operational risks. It provides a systematic means of identifying control gaps that threaten the achievement of defined business or process objectives and monitoring what management does to close these gaps.

21. In conducting risk assessments, the GCF Secretariat shall establish guidance in the AML/CFT SOP to assist in determining the level of risk posed by a potential or existing Counterparty taking into account the types of persons or entities which may present elevated ML/FT risks according to international standards set by the FATF. These include but are not limited to:

(a) Politically Exposed Persons (PEP) including their immediate family members or close associates, or PEP-linked entities;

(b) Financial Institutions providing Correspondent Banking or Money or Value Transfer Services (MVTS);

(c) Designated Non-Financial Businesses and Professions;

(d) Entities issuing Bearer Shares or with nominee shareholders or directors;

(e) Trusts;

(f) Entities with unduly complex structure[3] of ownership; and

(g) Non-Profit Organisations (NPOs).

22. The GCF shall undertake appropriate Know-Your-Counterparty ("KYC") measures in entering any relationship with a potential or existing Counterparty. KYC measures shall include identifying and verifying the full identity of the Counterparty and the authenticity of that information.

23. Following the risk-based approach, the GCF may apply more stringent or more specific KYC measures with regard to potential or existing Counterparties which are assessed in any one of the categories identified in paragraph 21(a) to (g). In particular, the Beneficial Owner(s) of a Counterparty must be identified and verified.

24. CDD information and identification evidence must be obtained directly from the potential or existing Counterparty, or from independent and reliable sources, such as public records maintained by the relevant government or relevant government-connected sources, the potential or existing Counterparty's official website, publication or public materials, or, in exceptional cases, on-site visits by GCF Personnel or appointed third parties. Information from public web search platform or telephone calls may be referenced but will not be considered as independent and reliable sources for verification purposes.

25. The GCF shall ensure that all potential and existing Counterparties are screened in accordance with paragraphs 14 (a) and (b) of the AML/CFT Policy.

26. The GCF shall ensure that CDD is to be completed before entering into a contractual relationship with a Counterparty. Under no circumstance shall disbursements be made before CDD is completed and approved.

27. The GCF shall ensure ongoing AML/CFT monitoring after a Counterparty has been onboarded following the risk-based approach. At minimum, such measures shall include ensuring CDD data is up-to-date and monitoring that Fund-related Activities undertaken by Counterparty are in accordance with contractually agreed terms, and that GCF Funds are not being misused for ML/FT activities. Counterparties shall be required to inform the GCF of any changes regarding CDD information when they become aware of such changes and without undue delay.

[3] Unduly complex structure means that a complex structure has been put in place for no apparent purpose, suggesting that it is mainly there to disguise the beneficial owners.

28. The GCF shall ensure that periodic CDD reviews of Counterparties are conducted so that emerging risks may be identified early, minimising any undue consequences and impact to the GCF. The CDD review cycle shall be determined through the risk-based approach.

29. The GCF will refrain from establishing new relationships with entities and will terminate existing Counterparty relationships in accordance with paragraph 14(b)(ii) of the AML/CFT Policy.

30. Pursuant to paragraph 29 above and in accordance with paragraph 8 of the AML/CFT Policy which states that the Policy shall be consistent with the relevant United Nations Conventions and Recommendations of the FATF, the GCF shall refrain from engaging with potential or existing Counterparties which are found to be:

(a) Shell banks, unlicensed banks, or unregulated Money or Value Transfer Service (MVTS) providers or agents;

(b) Engaged in relationships with (have dealings with or provide services to) shell banks, unlicensed banks, or unregulated MVTS providers or agents;

(c) Engaged in relationships with other entities which engage in relationships with shell banks, unlicensed banks, or unregulated MVTS providers or agents for the purposes of implementing a Fund-related Activity;

(d) Disbursing funds, directly or indirectly, through Cash Couriers for the purposes of implementing a Fund-related Activity;

(e) Financial Institutions that issue Bearer Shares; and

(f) Financial Institutions that keep anonymous accounts or accounts in fictitious names for their clients.

31. In addition, the GCF shall not allow fund disbursements to anonymous, numbered accounts or passbooks, or third-party accounts, under any circumstances.

32. Pursuant to paragraphs 29 and 30 above, the list of unacceptable relationships may be expanded or amended in line with the changing environment.

6.2 Reliance on Accredited Entities and Delivery Partners to Perform CDD on Underlying Counterparties

33. The GCF shall rely on Accredited Entities and Delivery Partners to identify and mitigate risks of ML/FT in deploying and managing GCF resources. To that end, the GCF relies on Accredited Entities and Delivery Partners to perform due diligence on their underlying potential or existing counterparties and to ensure AML/CFT record-keeping in accordance with their policies and procedures.

34. The GCF shall take steps to ensure appropriate due diligence will be applied to Accredited Entity's or Delivery Partner's underlying potential or existing counterparties in Fund-related Activities, and that the AML/CFT measures taken by Accredited Entity or the Delivery Partner to identify ML/FT risks are effective.

35. Following the execution of any contractual agreement with an Accredited Entity, the GCF shall monitor that the Accredited Entity or Delivery Partner applies effective AML/CFT measures in any Fund-related Activity. Such monitoring may include requesting that Accredited Entities and Delivery Partners make available copies of identification data and other due diligence documents without undue delay, and other appropriate examination actions as

required. It also may include monitoring actions and proactive integrity reviews conducted by the IIU.

VII. Financial Transaction Activities Monitoring

36. In accordance with paragraph 14(b)(i) of the AML/CFT Policy, the GCF shall establish processes for monitoring financial transaction activities and reporting Suspicious Activities. At minimum, the GCF shall undertake a number of informed measures (to be elaborated in the SOPs) following the risk-based approach including but not limited to:

(a) Setting criteria for or providing guidance to Counterparties for the selection of Financial Institutions or financial intermediaries through which GCF Funds are disbursed from the GCF to end recipients or beneficiaries. Such criteria include financial transaction monitoring and reporting;

(b) Setting criteria for and requiring the extent to which Counterparties report regularly to the GCF on their underlying financial transactions in Fund-related Activities; and

(c) Developing tools to analyse reported financial transactions, regularly reviewing the continuing effectiveness of the tools and, where necessary, initiating any enhancements or changes.

VIII. Reporting Red Flags, Suspicious Activities, and Suspected ML/FT

37. Co-Chairs of the Board, Board Members, Alternate Members, Advisers, Board-appointed Officials, External Members, and GCF Personnel/Individuals shall report any Suspicious Activity, red flag (indicators of a suspicious activity), or ML/FT activity which they identify or suspect in the course of performing their duties to the Head of IIU for investigation. Such reports shall be made and investigated in accordance with GCF policies and procedures. Failure to report may leave the GCF open to serious reputational damages or legal liability.

38. The Head of IIU shall take appropriate measures to enable the reporting of red flags, Suspicious Activities, or ML/FT activities directly to the IIU by raising awareness and by providing easily accessible reporting channels. The IIU shall ensure that all reports of red flags, Suspicious Activities, and suspected ML/FT activities reports are documented, attended to, and investigated in a prompt and professional manner.

39. The Head of the IIU shall notify the GCF Executive Director when a Suspicious Activity or suspected ML/FT activity has been substantiated pursuant to an IIU investigation. The GCF Secretariat shall determine to disclose that Suspicious Activity or suspected ML/FT activity to a Competent Authority, such as the Financial Intelligence Unit of a country where the Suspicious Activity takes place in accordance with GCF policies and procedures. The GCF Secretariat may authorise the IIU to make a disclosure on behalf of the GCF. Decisions to disclose or not to disclose Suspicious Activities and suspected ML/FT activities must be clearly recorded and reported to the EAC. Procedures for disclosing Suspicious Activities and suspected ML/FT to Competent Authority shall be developed by the IIU in coordination with the GCF Secretariat.

40. In accordance with GCF policies, rules, and procedures, the GCF may take disciplinary or other remedial action against any GCF Personnel who, having knowledge of Suspicious Activities, fails without reasonable excuse, to make a report, or who blocks, or attempts to block, a report by another GCF Personnel.

41. Under no circumstances should GCF Personnel or, in accordance with Paragraph 4 of the Policy, Board-appointed Officials, External Members, Board Members, Alternate Board Members

and their Advisers engage in Tipping-off. Engaging in Tipping-off could prejudice an existing or potential investigation by the IIU or Competent Authorities and may be subject to remedial action in accordance with the GCF policies on ethics and conflicts of interest, and with regard to GCF Personnel, other relevant policies and procedures of the Fund.

IX. Exiting a Relationship

42. It is the policy requirement under Section VI (Key Provisions) of the AML/CFT Policy for the GCF not to enter into or maintain relationships with Counterparties that are being used for money laundering or terrorist financing. Guidelines on exiting a relationship shall be provided in the SOPs.

X. Training and Capacity Building

43. The GCF shall ensure that Co-Chairs of the Board, Board Members, Alternate Members, Advisers (each defined in the Rules of Procedure), Board-appointed Officials, External Members, and GCF Personnel receive adequate AML/CFT training which aims to strengthen their knowledge and awareness of the following subject matter:

(a) The relevant obligations, requirements, rules, and procedures set out in the AML/CFT Policy, Standards, and in related GCF policies and guidelines, and the possible consequences for compliance failures; and

(b) Information and methods useful for identifying and procedures for reporting ML/FT, red flags, Suspicious Activities, and other related integrity risks or violations.

44. To give effect to AML/CFT training, the GCF shall develop and implement AML/CFT training guidelines. Such guidelines should address, at minimum, the frequency, content, methods, and knowledge testing of the training and consequences for failure to undergo or complete the training and should be designed for GCF Personnel in consideration of their position or role within the Fund and the risk-based approach.

45. In accordance with paragraph 10 of the AML/CFT Policy, the GCF shall take steps to encourage its potential and existing Counterparties to adopt policies and procedures that are consistent with the principles set in the AML/CFT Policy and these Standards, and to support to the extent possible potential or existing Counterparties in their efforts to prevent, detect, manage, and mitigate ML/FT risks, and to investigate red flags, Suspicious Activities, and suspected ML/FT. To that end, the GCF will provide training and capacity development support or specialised training to such Counterparties in situations:

(a) Where the potential or existing Counterparty has specifically requested capacity-building support to enable it to effectively prevent, detect, manage, and mitigate ML/FT risks, and to investigate red flags, Suspicious Activities, and suspected ML/FT;

(b) Where the Secretariat has identified through its accreditation, due diligence, and/or risk assessment processes that such potential or existing Counterparty is lacking sufficient capacity or knowledge to prevent, detect, manage, and mitigate ML/FT, causing potential risk to GCF investment project; and

(c) Where the IIU has identified through its proactive integrity reviews and other engagements with Accredited Entities that a Counterparty is lacking sufficient capacity or knowledge to prevent and detect risks of ML/FT and other Prohibited Practices, or to receive, handle, or investigate reports of red flags, Suspicious Activities, or suspected ML/FT and other Prohibited Practices.

46. Training and capacity-building support referred in paragraph 45 above should be differentiated according to different needs and capacities of potential or existing Counterparties and may be informed by an AML/CFT capacity assessment. The areas of support and training include but not limited to:

(a) **Policy Advice**: Support in developing the entity's policies, standards, operating procedures, and governance arrangements with regard to Prohibited Practices including AML/CFT, Whistleblowing and Witness Protection, and investigations;

(b) **Technical Training**: Know-how in effective ways to implement an AML/CFT compliance program including CDD, risk assessment, and ongoing monitoring; and

(c) **Experience Sharing**: Providing market information, including data base and system providers to assist entities to enhance their capabilities in assessing and detecting risks.

XI. Record Retention

47. In accordance with paragraph 14(e) of the AML/CFT Policy, the GCF shall ensure mandatory and minimum requirements for record retention for AML/CFT purposes including to demonstrate that due diligence has been undertaken to prevent ML/FT, and to ensure that sufficient information or documentation may be provided when requested by Competent Authorities in any AML/CFT investigation.

48. Guidelines on retaining and retrieving records shall be established to address the following issues:

(a) The duration and terms of record retention;

(b) Record storage and internal and external access to records;

(c) The use of record for investigation purposes;

(d) Terms of record retention compliance;

(e) Confidentiality and security of record retention; and

(f) The scope and contents of records.

XII. Data Protection and Confidentiality

49. Any data, information, and documents, whether in physical or electronic format, obtained during the course of Counterparty Due Diligence ("CDD") or Suspicious Activities monitoring shall be protected and kept confidential in accordance with GCF policies and procedures and GCF internal legal framework.

XIII. Right of Interpretation

50. The GCF Board has the ultimate right of interpretation of these Standards. However, for operational purposes, at first instance, the Board delegates this responsibility to IIU, in consultation with the EAC. Should the Office of the General Counsel ("OGC") have a different opinion on the interpretation of the provisions of these Standards provided by IIU, OGC shall have the right to present its opinion on the interpretation to the EAC for its decision.

XIV. Authority of the Documents

51. The AML/CFT Standards are a GCF Board-approved document. Any amendment, enhancement, or update thereto requires the Board's approval.

XV. Review

52. The AML/CFT Standards shall be reviewed biennially or at such intervals as required, to reflect international best practices consistent with evolving FATF recommendations or as otherwise required by the Board or recommended by the IIU or the Secretariat. The reviews shall be conducted by the IIU in collaboration with the GCF Secretariat.

XVI. Effective Date

53. These Standards shall come into effect following the approval of the Board of the GCF.

Annex X: Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment

I. Introduction

1. GCF has zero tolerance for all forms of sexual wrongdoing including Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) in all Fund-related Activities. Sexual Exploitation and Sexual Abuse violate human dignity and universally recognised international legal norms and standards and have always been unacceptable behaviour. Sexual Harassment results from a culture of discrimination and privilege, based on unequal relations and power dynamics. It creates hostile work and work-related environments, which limit the ability of affected persons to thrive and GCF to achieve its mission. SEAH has no place at GCF.

2. GCF recognises the imperative to prevent and respond effectively to SEAH and to protect persons, especially vulnerable individuals, and victims of SEAH in Fund-related Activities. These protections are essential to strengthen integrity and accountability throughout GCF.

II. Scope

3. The Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (the Policy) establishes GCF's zero tolerance of SEAH. It sets clear obligations for GCF Covered Individuals and its Counterparties to prevent and respond to SEAH and to refrain from condoning, encouraging, participating in, or engaging in SEAH.

III. Definitions

4. For the purposes of this Policy, the following terms are defined as follows:

(a) **"Board"** means Board of the Green Climate Fund;

(b) **"Board-appointed Official"** means the Executive Director ("ED"), the Head of the Independent Evaluation Unit ("IEU"), the Head of the Independent Integrity Unit ("IIU"), and the Head of the Independent Redress Mechanism ("IRM"), who are appointed by the Board;

(c) **"Counterparty"** is, for the purposes of this Policy, any party that contributes to[1], executes, implements, bids for, or in any way participates in Fund-related Activities, including receiving a grant, loan, or other form of financing or support from the Fund;

(d) **"Covered Individual"** means Co-Chairs of the Board, Board Members, Alternate Members, Advisers (each defined in the Rules of Procedure of the Board of the GCF), Board-appointed Officials, External Members, and GCF Personnel;

(e) **"Delivery Partner"** means an entity nominated by a National Designated Authority or Focal Point to implement activities approved under the Readiness and Preparatory Support Programme pursuant to decision B.08/11;

(f) **"External Members"** mean an expert serving as an external member on a panel or group established by the Board;

[1] This pertains to non-sovereign contributors and would exclude governments with which GCF concludes agreements for the purpose of obtaining privileges and immunities.

(g) **"False or Malicious Report"** means an inaccurate or misleading report that is made recklessly, or knowingly or deliberately for the purpose of gaining undue advantage or causing harm to a person or entity;

(h) **"Fund-related Activity"** means any activity which is financed, administered, or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund;

(i) **"GCF Personnel"** means any GCF Staff and any other individual contracted and/or engaged by GCF to perform official functions for GCF, excluding Board-appointed Officials and External Members;

(j) **"SEAH**" means Sexual Exploitation, Sexual Abuse, and Sexual Harassment;

(k) **"SEAH Check"** means a recruitment practice whereby job applicants are required to provide a SEAH Declaration and whereby the information contained in the Declaration is checked, as far as possible, through Reference Checks;

(l) **"SEAH Declaration"** is a sworn-to-be-true, written disclosure of a person's history of Sexual Exploitation, Sexual Abuse, or Sexual Harassment with regard to lawfully disclosable criminal convictions, or disciplinary measures or sanctions imposed by existing or former employer(s) and/or by disciplinary boards of professional organisations to which the person is or has been subject;

(m) **"Sexual Abuse"** means the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions;

(n) **"Sexual Exploitation"** means any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to, threatening or profiting monetarily, socially, or politically from the sexual exploitation of another;

(o) **"Sexual Harassment"** any unwelcome sexual advance, request for sexual favour, or other verbal, non-verbal, or physical conduct of a sexual nature, that interferes with work, is made a condition of employment, or creates an intimidating, hostile, or offensive environment in connection with a Fund-related Activity, and, for the avoidance of doubt, Sexual Harassment may occur between or amongst persons of different sexes or genders or of the same sex or gender, and may be initiated by any gender or sex;

(p) **"Staff"** means all persons appointed to a post in GCF under a letter of appointment (individually, a "Staff Member");

(q) **"Reference Checks"** mean the part of a selection and employment process whereby checks are performed to verify the accuracy and authenticity of references, statements, or declarations made by external job applicants on their educational, professional, and other background; and

(r) "**Victim"** means the person who is, or has been, sexually exploited, abused, or harassed.

IV. Guiding Principles

5. GCF shall not tolerate any form of Sexual Exploitation, Sexual Abuse, or Sexual Harassment.

6. GCF and its Covered Individuals shall not engage in SEAH, and shall not engage with Counterparties that condone, encourage, participate in, or engage in SEAH.

7. GCF shall take all available measures to prevent, mitigate, investigate, and remedy SEAH in Fund-related Activities.

8. GCF shall take all available measures to protect actual or suspected Victims from retaliation or any detrimental act, direct or indirect, recommended, threatened, or taken against them, because of a report of actual or suspected SEAH.

9. The GCF shall take steps to encourage its relevant Counterparties to adopt policies and procedures that are consistent with this Policy, with the purpose of safeguarding against SEAH in Fund-related activities.

10. The GCF shall apply sanctions, disciplinary, or other remedial measures if this Policy is violated.

V. Obligations of Covered Individuals

5.1 Obligations of Covered Individuals

11. Covered Individuals shall uphold the guiding principles of this Policy and contribute to creating and maintaining an environment which prevents SEAH.

12. Covered Individuals shall not condone, encourage, participate in, or engage in SEAH in Fund-related Activities. In particular, they shall not:

(a) Use their position to sexually abuse, exploit, or harass any person implementing, engaged in, or benefiting from Fund-related Activities; or

(b) Engage in sexual activity with a child (as defined in Article 1 of the United Nations Convention on the Rights of the Child). Mistaken belief regarding the age of a child is not a defence. Any such activity shall be deemed to constitute Sexual Exploitation and/or Sexual Abuse.

13. Subject to the availability of protection against retaliation, Covered Individuals have a duty to report any suspected SEAH in Fund-related Activities as soon as possible after becoming aware of it to the IIU and to cooperate with the IIU in the context of an investigation, proactive integrity review, or other inquiry in accordance with decision B.BM-2018/21, Policy on the Protection of Whistleblowers and Witnesses.

14. Subject to the availability of protection against retaliation, any supervisor, manager, or other such person of GCF who receives a report of suspected SEAH which is made in good faith, is obligated to transmit such report without delay to the IIU.

5.2 Obligations of Counterparties

15. Counterparties shall have policies or procedures, or be subject to laws, setting out principles and standards of protection substantively equivalent to the ones set out in this Policy.

16. Counterparties, in Fund-related Activities, shall not directly or indirectly condone, encourage, or tolerate participation, or engagement in SEAH or any conduct substantially equivalent to SEAH as defined in this Policy.

17. To the extent permitted by any national law applicable to them, Counterparties are required to inform GCF through established channels[2], without delay, of SEAH or any conduct

[2] Refer to decision B.22/19, annex XIV, Policy on Prohibited Practices, and decision B.BM-2018/21, Policy on the Protection of Whistleblowers and Witnesses.

substantially equivalent to SEAH as defined in this Policy, suspected or alleged in connection with a Fund-related Activity.

18. To the extent permitted by any national law applicable to them, Counterparties shall cooperate with GCF in any GCF investigation into reports of suspected SEAH or any conduct substantially equivalent to SEAH as defined in this Policy, and take all appropriate measures, to ensure the cooperation of relevant persons and entities (within their control) subject to such investigation.

19. In addition to the foregoing, Accredited Entities and Delivery Partners are required to have in place effective policies and/or procedures designed to ensure prevention, detection, investigation, remedial action, and where appropriate, sanctions and reports to state agencies with authority over criminal prosecution of SEAH offences in Fund-related Activities. These shall include:

(a) Protection against retaliation provided for actual and apparent victims of SEAH, witnesses of, and persons who qualify under the Policy on the Protection of Whistleblowers and Witnesses as whistleblowers with respect to SEAH; and

(b) Procedures to identify risks related to SEAH and prevent, report, investigate, and remedy SEAH in a Fund-related Activity.

20. Accredited Entities and Delivery Partners shall ensure that their contracts with each other and with third parties contracted to execute Fund-related Activities include obligations stipulated in paragraph 16 of this Policy and that such third parties:

(a) Inform the Accredited Entity or Delivery Partner, as appropriate, through established channels, without delay, SEAH or any conduct substantially equivalent to SEAH, suspected or alleged in connection with a Fund-related Activity; and

(b) Cooperate with the relevant Accredited Entity or Delivery Partner in investigations into reports of suspected or alleged SEAH or any conduct substantially equivalent to SEAH and take all appropriate measures, to ensure the cooperation of relevant persons and entities (within their control) subject to such investigation.

VI. Prevention and Due Diligence

6.1 Covered Individuals

21. GCF shall ensure, as soon as practicable following the adoption of this Policy, that its recruitment, procurement, employment, or any other onboarding processes include SEAH Checks.

22. In conducting SEAH Checks, GCF shall ensure that Board-appointed Officials, External Members, and GCF Personnel complete SEAH Declarations prior to the offer of any appointment, employment, or contract.

23. Following the submission of the SEAH Declaration, GCF shall ensure that the appropriate Reference Checks are carried out for the purpose of verifying, to the extent possible, the accuracy and authenticity of the information provided by the job applicant, including the information provided in the SEAH Declaration.

24. Persons who are already employed or contracted by the GCF as Board-appointed Officials, External Members, or GCF Personnel at the time this Policy is adopted, shall be required to submit a SEAH Declaration without delay.

25. The failure to disclose, and/or the inaccurate or incomplete disclosure of, information with regard to any act of SEAH in the SEAH Declaration shall be treated as misconduct (as in the case of Staff) or breach of contract (as in the case of consultants), as appropriate. GCF reserves the right to withdraw any offer of appointment, employment, or contract, or to terminate any contractual engagement if the applicant is found to have provided untruthful information concerning any past criminal or disciplinary records regarding acts of SEAH.

26. Covered Individuals are required to disclose to GCF their intimate personal relationships with other Covered Individuals in the following circumstances:

(a) When a management reporting relationship exists between the persons; or

(b) When two or more persons have unequal positions at GCF and it could reasonably be perceived that a Conflict of Interest may exist (i.e. that a person in a superior position may be exerting his or her influence to unfairly benefit or disadvantage a person in a subordinate position).

6.2 Counterparties

27. GCF shall require that, through accreditation (in respect of entities not yet accredited) and reaccreditation processes (in respect of entities already accredited), all Accredited Entities have effective policies and procedures in place to identify risks related to SEAH and protect against, report, prevent, detect, investigate, and remedy SEAH, and shall monitor the compliance of Accredited Entities to that requirement.

28. GCF shall further ensure that its Monitoring and Accountability Framework[3] for Accredited Entities assesses measures taken to protect against SEAH. Following a risk-based approach, and within a reasonable time frame, not to exceed 18 months, pursuant to the adoption of this Policy, GCF shall review and screen projects, project preparation, national adaptation plans, and readiness funding proposals for assurances that risks of SEAH have been assessed by the Counterparties concerned and, where necessary, SEAH protection plans and procedures are in place for the Funded Activity. Further, following the risk-based approach, GCF will review existing Funded Activities for such risks and where such risks are discovered, engage with the Counterparties concerned to address such risks immediately.

6.3 Awareness Raising, Communication, and Training

29. The Secretariat will prepare as soon as practicable policy implementation guidelines and an action plan to support the dissemination and implementation of this Policy and to raise awareness across GCF of the issue of SEAH and its potential ramification. The plan will include:

(a) Making this Policy available on the GCF website;

(b) Developing through consultative processes with stakeholders, and making available, policy implementation guidelines, training, guidance and tools, and communication materials for Covered Individuals and Counterparties to raise awareness and support the implementation of this Policy;

(c) Conducting, to the extent possible, awareness raising and training activities for and/or in collaboration with Covered Individuals, Counterparties, GCF beneficiaries, and relevant stakeholders in Fund-related Activities;

[3] This includes but is not limited to mid-term reviews, self-assessment reports, and Annual Performance Reports. Templates should be in open data formats to enable ease of GCF access, analysis, use, and reporting.

(d) Developing guidance, training, and procedures for those GCF Personnel responsible for assessing SEAH risks, and for working with Counterparties to ensure that proper safeguard systems are in place; and

(e) Ensuring that all Covered Individuals undertake mandatory training to ensure compliance with this Policy and relevant operating procedures.

VII. Reporting and Investigations

30. Any person or entity may report to the IIU actual or suspected SEAH as defined by this Policy. Persons with information concerning suspected SEAH, particularly when it involves Covered Individuals in Fund-related Activities, are strongly encouraged to report such information to the IIU.

31. Reports of actual or suspected SEAH should be made to the relevant authority designated for receiving the relevant report, as set out in the GCF Policy on the Protection of Whistleblowers and Witnesses and shall be dealt with in accordance with that Policy.

32. In accordance with the procedures provided for in the GCF Policy on the Protection of Whistleblowers and Witnesses:

(a) Except in the situations described in subparagraphs (b), (c), and (d) below, reports of actual or suspected SEAH shall be sent to the IIU through any of the following points of contact on the proviso that any changes regarding the contact details shall be communicated and disseminated appropriately:

Email: integrity@gcfund.org

Hotline: +82 32 458 6155

Mailing Address: Independent Integrity Unit, Green Climate Fund, 175 Art Center-daero Yeonsu-gu, Incheon 22004 Republic of Korea;

(b) Reports of actual or suspected SEAH regarding GCF Personnel, a Board-appointed Official (excluding the Executive Director and the Head of IIU), or an External Member of GCF Panels or Groups, shall be made to the Head of IIU at the IIU points of contact stated in subparagraph (a) above;

(c) Reports of actual or suspected SEAH regarding a Co-Chair, Board Member, Alternate Member, Adviser, the Executive Director, or the Head of the IIU, shall be submitted to the Chair of the EAC who shall bring any such report to the attention of the EAC for its consideration in accordance with the procedures to be determined for such a case. Such reports shall be submitted in writing and in confidence to the Chair of the EAC through the following contact points:

Email: EAC-Chair@gcfund.org

Mailing Address: Chair of the Ethics and Audit Committee, Green Climate Fund, 175 Art Center-daero Yeonsu-gu, Incheon 22004 Republic of Korea; and

(d) Reports of actual or suspected SEAH regarding a GCF Personnel working under the authority of the Head of the IIU shall be made to the Head of the IIU at the IIU points of contact stated in subparagraph (a) above, or to the Chair of the EAC at the EAC points of contact stated in subparagraph (c) above on an interim basis until other mechanisms are established.

33. Persons or entities reporting actual or suspected SEAH shall do so in good faith and provide where possible any information or evidence in their possession that would support a

reasonable belief that SEAH may have occurred. Prior to making a report, such persons or entities are not required to evaluate or to determine whether a report that they intend to make meets any threshold of seriousness or gravity. Reporting persons or entities are not required to prove the suspected SEAH or to meet any evidentiary requirements.

34. Reports of actual or suspected SEAH shall be investigated by the IIU in accordance with the relevant GCF policies and standards including but not limited to the GCF Policy on the Protection of Whistleblowers and Witnesses. The IIU shall treat seriously, and thoroughly investigate reports of suspected SEAH in a manner that is victim-centred, independent, and objective by conducting investigations, free of control or influence by any person or entity, and with scrupulous adherence to the principles of fairness and due process.

35. Following any IIU investigation, the GCF Secretariat shall take measures to monitor the situation regarding the status of any Victims and alleged perpetrators of SEAH, to ensure against retaliation as a consequence of the investigation, its findings or its outcome, and to ensure that any administrative or disciplinary measures, taken as a result of the investigation have been duly implemented.

36. Notwithstanding anything to the contrary in this Policy, any person, persons, or communities who have been or may be affected by SEAH in the context of a GCF-funded project or programme may bring complaints to the IRM in accordance with the IRM's Terms of Reference.

37. The IIU shall cooperate and coordinate with the IRM to maximise the effectiveness of this Policy. In the event that a report of SEAH is submitted to the IIU and also filed as a complaint with the IRM, and/or in situations where the IIU or IRM receives a complaint of SEAH from a person adversely impacted by the GCF-funded project or programme, the Heads of the IIU and IRM shall consult with each other and with the person reporting/complainant and determine how best to address the report or complaint so as to avoid parallel proceedings and/or investigations.

VIII. Protection and Remedies

38. Any Victim who reports, attempts to report, is believed to be about to report, or is believed to have reported suspected or actual SEAH (including concerns of suspected SEAH) in Fund-related Activities shall be entitled to all the protection (which includes anonymity and confidentiality, and protection from retaliation) and remedies, afforded to 'whistleblowers' as set out in the GCF Policy on the Protection of Whistleblowers and Witnesses.

39. Any other person who reports, attempts to report, is believed to be about to report, or is believed to have reported actual or suspected SEAH, or cooperates, attempts to cooperate, is believed to be about to cooperate, or is believed to have cooperated with a GCF investigation concerning a report of suspected SEAH, shall be deemed a 'whistleblower' or as a 'witness', as appropriate, and shall be entitled to all the related protection (which includes anonymity and confidentiality, and protection from retaliation) and remedies, as set out in the GCF Policy on the Protection of Whistleblowers and Witnesses.

40. Any Covered Individual who is a Victim of an act of SEAH perpetrated by another Covered Individual or member of personnel of a Counterparty in connection with a Fund-related Activity and regarding whom a report of SEAH has been made in accordance with Section VII of this Policy, may request that GCF provide the following guidance and support:

(a) Information and advice on the informal and formal reporting options, hotlines, and helplines which are available within and outside the GCF;

(b) Information on available medical services and support;

(c) Information on counselling, including psycho-social and stress counselling;

(d) Advice from the Ethics Officer or Ombudsperson;

(e) Information on available, low-cost health insurance options and services;

(f) Information and referral to internal and external local services specialising in sexual harassment, violence against women, violence against LGBTIQ+ individuals, including gender non-conforming individuals, or support for men who experience violence, to the extent available; and

(g) Support and guidance on how to report to and what to expect from the local authorities, particularly if the alleged behaviour constitutes a crime.

41. In emergency situations, any Covered Individual who is a victim of Sexual Exploitation or Sexual Abuse perpetrated by another Covered Individual or member of personnel of a Counterparty in connection with a Fund-related Activity may request that GCF provide interim medical relief or other support services as required to address the immediate harm.

42. Any person who is a victim of SEAH perpetrated by a Covered Individual on GCF premises or during an activity or event hosted by GCF, regarding whom a report of SEAH has been made in accordance with section VII of this Policy, may request that GCF provide the protection provided for in paragraphs 40 and 41 above.

43. Acts of SEAH, or retaliation against an actual or suspected SEAH victim, committed by GCF Personnel shall amount to misconduct or breach of contract and shall be subject to disciplinary or other remedial measures as appropriate, in accordance with the relevant GCF policies, rules, and procedures.

44. Acts of SEAH, or retaliation against an actual or suspected SEAH victim, committed by Covered Individuals other than GCF Personnel shall amount to misconduct or breach of contract and shall be subject to disciplinary or other remedial measures as provided in the relevant GCF Policies on Ethics and Conflicts of Interest, as applicable to them.

45. Any person or entity who makes a False or Malicious Report may be subject to sanctions or disciplinary action in accordance with relevant GCF policies and guidelines, and the provisions of any contractual agreements existing between GCF and the person or entity.

46. Where an act of SEAH, or retaliation against an actual or suspected Victim, has been found in a Fund-related Activity, GCF shall endeavour to apply its good offices with appropriate authorities to secure necessary protection and to employ other reasonable measures for the Victim.

47. Where an act of SEAH, or retaliation against an actual or suspected Victim, is perpetrated by a Covered Individual or a Counterparty in a Fund-related Activity has been substantiated through an investigation conducted by GCF, and corrective or disciplinary measures have been imposed against a Covered Individual, or sanctions have been imposed against a Counterparty, the IIU, in consultation with the EAC, may recommend that GCF or the Counterparty take appropriate remedies for the benefit of the Victim. GCF shall ensure that such remedies are implemented by the Secretariat without undue delay. However, in the event that the Secretariat is unable to implement the recommended remedies, the Secretariat shall promptly seek guidance from the EAC in order for the EAC to determine the appropriate course of action.

48. A Counterparty found to have directly or indirectly condoned, encouraged, participated, or engaged in acts of SEAH, or retaliation against actual or apparent victims of SEAH, in a Fund-related Activity, or which negligently has failed to prevent or which has failed to investigate, report, or remedy SEAH or SEAH retaliation in a Fund-related Activity, may be subject to

sanctions or other remedial measures, as appropriate, in accordance with relevant GCF policies and taking into account any legal agreements that may be concluded between GCF and the Counterparty.

IX. Policy Implementation, Monitoring, Reporting, and Review

49. The Secretariat shall be responsible for the effective implementation, monitoring, and reporting to the Board annually regarding its obligations under this Policy. It shall develop guidelines and procedures, in consultation with the IIU, to operationalise and implement this Policy promptly following its adoption.

50. The GCF Secretariat, as far as possible and within 12 months of the adoption of this Policy, shall endeavour to amend existing legal agreements with Accredited Entities as necessary to include obligations set out in paragraphs 15 to 20 above, and to obtain from such Accredited Entities, a declaration and relevant supporting documentation to demonstrate, that they have in place policies and/or procedures to comply with those obligations. The review of such policies and/or procedures by the Secretariat shall take place at the reaccreditation process.

51. The GCF Secretariat shall ensure that by no later than six months from the date of this Policy, all new legal agreements entered into with Accredited Entities include the obligations set out in paragraphs 15 to 20 above, and any new accreditation will comply with the requirements set out in paragraph 27 above.

52. The GCF Secretariat, as far as possible, following a risk-based approach, and within 12 months of the adoption of this Policy shall endeavour to amend any existing legal agreements with Delivery Partners as necessary to include the obligations set out in paragraphs 15 to 20 above.

53. The GCF Secretariat, as far as possible, following a risk-based approach, and within 12 months of the adoption of this Policy shall endeavour to amend any existing contracts with Counterparties for the procurement of goods and/or services concluded based on standard formats of contracts for the procurement of goods and/or services as necessary to include the obligations set out in paragraphs 16 to 18 above.

54. The GCF Secretariat shall ensure that by no later than three months from the date of adoption of this Policy, its standard formats of contracts for the procurement of goods and/or services are updated to include the obligations set out in paragraphs 16 to 18 above and are used for procurement contracts concluded thereafter.

55. With respect to Counterparties other than the ones referred to in paragraphs 50 to 54 above, within 12 months of the adoption of this Policy, the Secretariat, in consultation with the IIU, shall establish procedures and guidance, as appropriate, to identify the modalities through which, and the extent to which, the obligations set out in paragraphs 15 to 18 above should apply to such Counterparties and must be reflected in future legal arrangements with such Counterparties, taking into account relevant factors that may include:

(a) Whether the policies, rules, and procedures of such Counterparties, or laws applicable to them, set out principles and standards of protection substantially equivalent to the ones of this Policy;

(b) The legal status, scope, and nature of the relationship of GCF with the Counterparty, including risk of SEAH arising from any such relationship and activities undertaken pursuant thereto;

(c) The rules and practices of other international organisations, including multilateral funds and multilateral development banks; and

(d) Commercial practice and international law.

56. The IIU shall recommend improvements to this Policy and related procedures and controls to mitigate opportunities for SEAH in Fund-related Activities and ensure that Covered Individuals adhere to the Policy. The IIU shall also maintain and publicly disclose a case registry of reports including regarding SEAH, within the limitations of the GCF Policy on the Protection of Whistleblowers and Witnesses in force, and in accordance with relevant GCF policies and standards regarding information disclosure.

57. Every three years, the Ethics and Audit Committee, with the support of the IIU and the Secretariat, will present a report to the Board on issues related to the implementation of this Policy along with any recommendations for changes to it. Such reports will take into account new standards or policies developed and implemented by peer institutions and partners regarding the range of their activities.

X. Effective Date

58. This Policy shall come into effect following the approval of the Board of the GCF.

Annex XI: List of conditions and recommendations

1. The approval of the funding proposals approved by the Board pursuant to decision B.23/10 shall be conditional upon the satisfaction of the conditions set out in tables 1 and 2.

Table 1: General conditions applicable to all funding proposals

FP number	Conditions
All proposals	(a) Signature of the funded activity agreement ("FAA") in a form and substance satisfactory to the GCF Secretariat within 180 days from 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 the date of effectiveness of the accreditation master agreement ("AMA") entered into with the relevant accredited entity, whichever is later. Satisfaction of the following conditions prior to the signing of the FAA: (i) Completion of the legal due diligence to the GCF Secretariat satisfaction; and (ii) Submission of a certificate or a legal opinion in a form and substance that is satisfactory to the GCF Secretariat, within 120 days[35] 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.

Table 2: Conditions specific to individual funding proposals

FP number	Conditions
FP107 (UNDP Bhutan)	*None.*
FP108 (FAO Pakistan)	*None.*
FP109 (UNDP Timor-Leste)	*Relevant iTAP conditions* Condition precedent to all disbursements for drinking water supply interventions under activity 2.2: (a) Delivery to the GCF by the accredited entity of evidence, in form and substance satisfactory to GCF, that hygiene and improved sanitation interventions to be provided by third parties are in place before, or are put in place simultaneously with, the drinking water intervention, as described in the funding proposal. For the avoidance of doubt, evidence may include, but not be limited to, the letter of commitment by a third party including a description of the project, availability of funding, project budget, schedule and area of influence; and Covenant: (b) The accredited entity shall ensure that the GCF proceeds will not support or finance, directly or indirectly, any activities in relation to drinking water supply interventions in targeted municipalities that do not satisfy the requirements of the condition precedent to all disbursements, as set out above.
FP110 (UNDP Ecuador)	*None.*

[35] For FP111 (IDB Honduras), the period shall be 180 days.

FP number	Conditions
FP111 (IDB Honduras)	*Relevant iTAP conditions* Prior to the first disbursement under the FAA, the accredited entity shall deliver to the Fund: (a) An operational manual, developed by the Executing Entity and approved by the Accredited Entity, for the water fund (and sub-funds) including the following items: (i) Guidelines for engagement with indigenous communities, including free, prior and informed consent processes; Minimum criteria on additionality and conditionality to be agreed with all the water councils, encompassing the actions beyond regulatory compliance that the water fund will be paying for and the conditions that trigger payments. Furthermore, it should include obligations on landowners / managers (i.e. what kind of land care is expected of them) and the benefits they may expect to receive from the water fund to achieve adequate protection of the land and delivery of the ecosystem services; (ii) Transparency mechanisms in the use of GCF proceeds, in accordance with Clauses 9.03(a) and 18.02(e) of the AMA; (iii) Current water tariff projections based on a willingness to pay by downstream water users, including differentiated tariff system based on socio-economic conditions; (iv) Local grievance redress mechanisms; (b) A template agreement with private landowners for agroforestry management, including, but not limited to, obligations of landowners/managers to achieve long-term agroforestry systems. Prior to the second disbursement under the FAA, the accredited entity shall deliver to the Fund: (c) a copy of the agreements reached with each of the 11 water sub-funds on the PES systems for the use of resources, including, but not limited to, equitable distribution of payments, mechanism of community participation, empowerment and gender inclusion.
FP112 (UNDP Marshall Islands)	*None.*
FP113 (IUCN Kenya)	*None.*
FP114 (AfDB Ghana)	*Relevant iTAP conditions* Prior to the first disbursement of funds by GCF under the funded activity agreement, the Accredited Entity (AE) shall deliver, in a form and substance satisfactory to the Secretariat: (a) An operations manual, developed by the selected LFIs and approved by the AE, for implementation of the GCF programme and any other climate change-related projects implemented by the selected LFIs in the targeted sector, including the following: (i) Selection criteria of subsectors and eligibility criteria (e.g. minimum expected impacts in GCF result areas, minimum expected socio-economic benefits, minimum co-financing ratios, final beneficiaries, minimum requirements to technology to be implemented, among others) for the selection of subprojects in each targeted subsector;

FP number	Conditions
	(ii) A proposal selection process, including a criteria scoring system and decision-making procedure for approval of subprojects; (iii) Methodologies for calculation of GHG emission reductions by technologies planned to be implemented, for monitoring and impact measurements; (iv) A feasibility study on sector-related climate change rationale, needs of final beneficiaries in respect of technology knowledge transfer, finance and market, among others; and (v) An indicative pipeline of subprojects; and (b) A training programme in relation to the activities to be implemented under component 2, developed by the selected LFIs and approved by the AE, based on the studies conducted for the proposed programme on the gap and barrier analysis. The training programme shall include: (i) Training material for the selected LFIs and the final beneficiaries (MSMEs/FBAs); and (ii) An implementation plan detailing the training provider institutions, responsibilities and results to be achieved.
FP115 (MUFG Chile)	*Relevant iTAP conditions* (a) Prior to the execution of the FAA (or the first disbursement), the accredited entity should submit to the Secretariat a draft communication plan, in the form and content satisfactory to the Secretariat, to enhance dissemination of the project's benefits, knowledge and lessons learned in development, construction and operation of the project in the context of climate change technology transfer among public sector including government agencies and regulator, and private sector investors and financiers. The plan should include the accredited entity's communication strategy indicating the methodology of communication, targeted participants (public and private sector) and schedule, and should not be limited to events and seminars that the accredited entity participates or engages as its usual marketing and commercial efforts.
SAP007 (WFP Zimbabwe)	*Relevant iTAP conditions* Prior to first disbursement of funds by GCF under the funded activity agreement, the accredited entity shall deliver in a form and substance satisfactory to the GCF Secretariat: (a) A signed memorandum of understanding between WFP and the Meteorological Services Department (MSD) under the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement (MoLAWCRR) that governs their collaboration under the project, most particularly under component 1. The memorandum of understanding would include: a specific clause on access to relevant data and datasets for the accurate and timely implementation of project activities; (b) A draft training programme for all related capacity building activities within the Project, in consultation with MoLAWCRR, which shall include: (i) training topics for the different target groups; and (ii) an implementation plan detailing the training provider institutions, their responsibilities and results to be achieved.

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

FP number	Recommendations
FP107 (UNDP Bhutan)	The iTAP recommends the following for successful implementation of the project: (a) Ensure a stronger supervisory and coordination role is played by the accredited entity in order to ensure complementarity of various components and involvement of different key stakeholder institutions of the project; and (b) Given that new grassroots-based organizations such as Water User Associations and Road User Groups will monitor and maintain water (i.e. irrigation) and road infrastructure, the project should develop guidelines of participation and supervision of their performance involving national institutions. A failure to guide the processes might reduce the effectiveness of the application of such newly constituted grassroots-based participatory organizations, which in turn may adversely affect overall maintenance of critically important infrastructure.
FP108 (FAO Pakistan)	*None.*
FP109 (UNDP Timor-Leste)	The iTAP recommends that the accredited entity develop and describe specific activities aimed at disseminating lessons learned throughout the country or region.
FP110 (UNDP Ecuador)	The iTAP recommends the following: (a) Strengthen the gender action plan, giving greater emphasis to the creation of economic access (through, e.g., tailor-made skills enhancement programmes, credit support) to the modalities, such as SMEs, value chains and marketing of NTFP; (b) Ensure that the environment and social impact assessment is completed, as promised, during the inception stage; (c) Strengthen the project monitoring and reporting mechanisms to ensure that deforestation and forest degradation do not take place during the course of the project implementation, involving regular monitoring, reporting and verification (MRV) opportunities and end-of-project MRV compliance; and (d) Strengthen the project governance structure by creating greater opportunities for the representation of indigenous people, and women's, youth and civil society organizations in project governance beyond participation in the inception level consultations.
FP111 (IDB Honduras)	*None.*
FP112 (UNDP Marshall Islands)	The iTAP recommends the following: (a) Review the cost of water tanks, considering other options for types of tanks that could result in a reduction of costs; and (b) Evaluate the actual needs and costs related to foreign engineers, trying to maximize the participation of trained local technicians.
FP113 (IUCN Kenya)	The iTAP recommends that the accredited entity and the project management unit work closely with the executing entity on component 3 so that recipients of the proposed fund for value chain intermediaries will also receive proper training and other auxiliary support, as needed. Effective implementation of component 3 will

	enable the community-run micro-enterprises to succeed in following a business model and become a source of inspiration for other similar micro-enterprises in the ASALs. The iTAP also recommends that a baseline KAP study is conducted involving the members of the target communities, as a part of the monitoring framework. The study findings will be compared with KAP findings at the end of the project in order to understand progress made in community mobilization for achieving the objectives of the EBA project.
FP114 (AfDB Ghana)	*None.*
FP115 (MUFG Chile)	*None.*
SAP007 (WFP Zimbabwe)	Moreover, the iTAP recommends: (a) Upon finalization of the climate and food security analysis to be conducted in the targeted two districts under Activity 1.1.2 of the proposed Project, as described in the Funding Proposal, the accredited entity shall ensure that the results of this analysis are taken into account in the finalization of the training programme.

Annex XII: Decisions taken between the twenty-second and twenty-third meetings of the Board

DECISION B.BM-2019/08

The Board, having considered document GCF/BM-2019/08 titled "Revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments":

(a) *Approves the revised terms of reference for the review as set out in annex I[1];*

(b) *Takes note of the first review of the financial terms and conditions of the GCF financial instruments led by the Investment Committee as set out in annex II[2];*

(c) *Requests the Secretariat to conduct biennial reviews of the financial terms and conditions of the GCF financial instruments, as set out in annex II to decision B.09/04, based on the approved revised terms of reference and to report biennially the outcome of such review to the Board; and*

(d) *Decides that Board approval for subsequent changes to the revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments will only be necessary in the case that such changes are considered material by the Secretariat and the Investment Committee.*

DECISION B.BM-2019/09

The Board, having considered document GCF/BM-2019/09 titled "Accreditation of observer organizations" and through a decision taken between meetings on a no-objection basis:

Approves the accreditation of the following organizations as observer organizations to the GCF:

Civil society organizations:

Actions Communautaires pour le Développement Intégral (ACDI)

Appui pour la Valorisation et la Promotion des Initiatives Privées (NGO AVPIP)

Association Nationale de Volontariat (ANV)

Caribbean Natural Resources Institute (CANARI)

Centre for Environmental Justice (Guarantee) Limited (CEJ)

Research and Grant Institute of Ghana (REGIG)

University of Colorado, Boulder

Private sector organizations:

Continental Reinsurance Plc (CRE)

[1] This annex is contained in this meeting report as annex XIII.
[2] This annex is contained in this meeting report as annex XIV.

DECISION B.BM-2019/10

The Board, having considered document GCF/BM-2019/10 titled "Extension of the terms of the external members of the Private Sector Advisory Group" and through a decision taken between meetings on a no-objection basis:

(a) *Takes note that the current terms of external members of the Private Sector Advisory Group end on 30 June 2019; and*

(b) *Decides, on an exceptional basis and without prejudice to any future decisions of the Board regarding the appointment of external members of the Private Sector Advisory Group, to extend the terms of the following external members of the Private Sector Advisory Group until 30 March 2020 or the date on which the Board finalizes the review of the effectiveness of committees and group established by the Board of the GCF pursuant to decision B.20/04, paragraph (b), whichever occurs earlier:*

(i) *Mr. Dipal Chandra Barua;*

(ii) *Mr. Jay Koh;*

(iii) *Mr. Gerry Lemcke;*

(iv) *Mr. Torben Moger Pedersen;*

(v) *Mr. Aurelio Souza;*

(vi) *Mr. Hiroyuki Tezuka;*

(vii) *Mr. Rodrigo Violic;*

(viii) *Mr. Inderpreet Wadhwa; and*

(ix) *Mr. Kevin Whitfield.*

Annex XIII: Revised terms of reference for the review of the financial terms and conditions of the GCF financial instruments

I. Purpose of the review

1. The review will:

(a) Assess the degree to which there has been compliance with existing policies on financial terms and conditions in GCF operations;

(b) Assess whether existing GCF policies related to financial terms and conditions are fit for purpose; and

(c) Propose additions or adjustments on how policies related to financial terms and conditions could be improved.

II. Scope of the review

2. The scope of the review will include an internal component, which considers the current financial terms and conditions as they relate to the projects and programmes approved by the Board, and an external component, which reviews the current practices with respect to the terms and conditions of financial instruments used by other institutions with policy mandates related to those of GCF, covering different national circumstances in developing countries.

3. The review will also explore and recommend ways the GCF can: (i) more effectively use guarantee instruments; and (ii) include local currency financing in GCF projects and programmes.

4. The review will focus on projects and programmes approved by the Board since the last review, which was for projects approved up to and during the seventeenth meeting of the Board (B.17), and it will provide a view on whether there is any substantial difference in the use of financial instruments from the projects approved up to B.17. Such a review will take into account all the financial terms and conditions (i.e. interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument) and, where relevant, recommend appropriate changes for the consideration of the Board. The review will also take into account whether the project/programme is public or private, the theme (mitigation, adaptation or cross-cutting), the total project/programme size category (micro, small, medium or large), and the different national circumstances of the recipients.

III. Methodology

5. Specifically, the review will:

(a) For all financial instruments, assess whether the existing Board policies related to financial terms and conditions have been correctly applied;

(b) For financial instruments extended to the public sector, review the financial terms and conditions (i.e. grant elements, interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument);

(c) For financial instruments extended to the private sector, review the financial terms and conditions (i.e. interest rate, commitment fee, service fee, other fees if applicable, and tenor and grace period of the financial instrument) and identify emerging patterns and other issues that could lead to additional guidance on the parameters to be used for assessing private sector projects/programmes, including sector, geography, capacity of the recipient and other characteristics of the project; and

(d) For all projects/programmes with non-grant co-financing aspects, compare the financial terms and conditions approved by the Board against the financial terms approved by other co-financiers with policy mandates related to those of GCF (where this information is available).

6. The review will also assess and report on the current use of the guarantee instrument and make recommendations on ways it can be more effectively used in GCF project/programme financing. In addition, the review will explore the opportunities for utilizing local currency to finance GCF projects/programmes by carefully examining and comparing against similar funds and providing recommendations with suggested action plans under the oversight of the Investment Committee.

7. The review will assess the degree to which Board policies provide clear guidance on the financial terms and conditions that should apply to each project as well as analyse how existing Board policies were applied to each funding proposal approved since the last review and make recommendations for improvement.

8. The review will also assess how accredited entities and the Secretariat assess the concessionality needed for each funding proposal in relation to the Governing Instrument for the GCF and relevant GCF policies. This will include assessment of the use of different financial instruments (i.e. grant, loan, guarantee and equity) and their terms and conditions to make sure that the GCF contribution is incentivizing mitigation and adaptation action while avoiding market distortion and crowding out/displacing other sources of finance.

9. The review will also take stock of practices with respect to the terms and conditions of financial instruments used by other institutions with policy mandates related to those of GCF. Emphasis will be placed on any changes that may have taken place since the conclusion of the previous review, which was in the second half of the 2017 fiscal year.

10. Institutions will include the International Development Association, the Clean Technology Fund, the International Finance Corporation, the Global Environment Facility, and large foundations providing both grant and non-grant financial instruments.

11. Additionally, particularly with respect to financial instruments provided to the private sector, the review will incorporate the practices of other institutions active in the area of climate financing, including at least one international financial institution, one national development bank, one fully private sector organization focused on climate-related investments in emerging markets, and one foundation or non-governmental organization.

IV. Deliverables

12. The outputs of the review will include a presentation to the Investment Committee and a report to the Board that incorporates input/feedback from the Investment Committee. The review may propose additions or adjustments to the adopted financial terms and conditions of the GCF for the Board's consideration, consistent with GCF policies. In addition, the report will include analysis of the guarantee instrument and explore opportunities for utilizing local currency to finance GCF projects/programmes. A consulting firm will be working under the oversight of the Investment Committee on the review.

13. This review is also expected to generate lessons learned, not only related to the financial terms and conditions of the GCF but also for conducting the review itself going forward. As the review is to be conducted biennially, the review report may also propose adjustments to the

scope of future reviews for the Investment Committee's consideration. The Investment Committee may then wish to modify these terms of reference for Board consideration.

14. The output of the review will also include an examination of the service fee and commitment fee, and its relationship with the Governing Instrument and relevant GCF policies.

V. Reporting arrangements

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

Annex XIV: Review of the financial terms and conditions of the GCF financial instruments

I. Introduction

1. The Board, in decision B.09/04 (see annexes III[1] and IV[2] to this document), adopted the financial terms and conditions for the financial instruments of GCF. Through decision B.09/04, the Board also decided that the financial terms and conditions should be reviewed on an annual basis.

2. In decision B.12/15, the Board requested the Investment Committee to provide the draft terms of reference for the annual review of the financial terms and conditions for consideration by the Board at its fifteenth meeting. The terms of reference for the review of the financial terms and conditions of the GCF financial instruments, contained in annex V[3] to this document, were adopted by the Board in decision B.15/05.

3. In decision B.17/08, the Board decided that, pending the conclusion of the review of the financial terms and conditions, the financial terms and conditions set out in annex II to decision B.09/04 should be applied in a fit-for-purpose manner, provided that such terms and conditions do not exceed the upper limits set out therein.

II. Scope and objective

4. The terms of reference for the review of the financial terms and conditions of the GCF financial instruments, as adopted by the Board in decision B.15/05 (see annex VI for the full terms of reference), specified the scope of the review, as follows:

(a) The scope of the review will include an internal component, which takes stock of the projects and programmes approved by the Board and the GCF policies related to financial terms and conditions, and an external component, which takes stock of the practices with respect to the terms and conditions of financial instruments used by other organizations with policy mandates related to those of GCF; and

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

III. Linkages with other documents

5. The following documents are also relevant to the financial terms and conditions of the GCF financial instruments:

[1] This annex is contained in this meeting report as annex XV.
[2] This annex is contained in this meeting report as annex XVI.
[3] This annex is contained in this meeting report as annex XVII.

(a) "Business Model Framework: Terms and Criteria for Grants and Concessional Loans" (document GCF/B.05/07);

(b) "Investment Framework" (document GCF/B.07/06);

(c) "Level of Concessional Terms for the Public Sector" (document GCF/B.10/06);

(d) "Concessionality: potential approaches for further guidance" (document GCF/B.19/12/Rev.01); and

(e) "Risk Management Framework" (document GCF/B.19/19).

IV. General principles applied to the financial terms and conditions of the GCF financial instruments

6. By decision B.05/07, the Board adopted the following principles and factors for determining the terms and conditions of the GCF financial instruments for both public and private sector operations:

(a) Guiding principles applicable to public and private sector operations:

(i) Grant elements should be tailored to incremental cost or the risk premium required to make the investment viable, or to cover specific activities such as technical assistance;

(ii) Seeking the right level of concessionality, so as not to displace investments that would otherwise have occurred, including for private sector investment;

(iii) Levels of indebtedness capacity of the recipient should be taken into account so as not to encourage excessive indebtedness;

(iv) Structure terms on a case-by-case basis to address specific barriers;

(v) Avoid crowding out commercial financing;

(vi) Leveraging of other financing, including public and private financing, seeking to maximize leverage in the case of private financing;

(vii) Promote long-term financial sustainability; and

(viii) Apply due diligence to assess the risk to the investment;

(b) When determining terms of financial instruments applicable to both public and private operations, the following factors will need to be taken into account:

(i) The average concessionality or grant element of the financial inputs to GCF and the average concessionality or grant element of financial instruments of GCF;

(ii) The grant element of concessional finance will be tailored to provide the appropriate incentive to facilitate the implementation of mitigation and adaptation activities;

(iii) Concessional forms of finance will be designed to minimize market distortions and potential disincentives to private investment;

(iv) The expertise and capacity of financial intermediaries and implementing entities; and

(v) The risk sharing between public and private investment, when relevant.

V. Review findings and recommendations

7. Based on the terms of reference adopted by the Board in decision B.15/05, a consulting firm (Nodalis Conseil) was engaged to support the work of the review. The executive summary of the review from the consultant is attached as annex VII. The scope of the review covered funding proposals approved by the Board up to and during the seventeenth meeting of the Board. The key findings of the review are provided below.

8. For public sector projects:

(a) The portfolio-level review demonstrated that Board guidelines have broadly been met in terms of adaptation allocation for vulnerable countries, geographical balance and engagement with the private sector;

(b) While a larger share of nominal GCF resources went to private funding proposals, in grant-equivalent terms a larger share went to the public sector proposals;

(c) Board decisions do not provide guidance to accredited entities (AEs) preparing funding proposals, neither on how to choose between grants and concessional loans, nor on how to choose between the two types of concessional loans; and

(d) Due to a lack of quantitative analysis for the selection of a specific level of concessionality, the lack of a clear rationale for the GCF-level of concessionality requested, and the rare use of arguments related to the level of indebtedness of the recipients, the project-level analyses indicate potential issues with Board-approved guidelines ("principles") on the choice of instrument and on instrument terms and conditions.

9. For private sector projects:

(a) The review did not identify issues of non-compliance with Board-approved guidelines on the choice of instrument and on instrument terms and conditions; and

(b) Risks stemming from the lack of mechanisms to ensure that GCF concessionality is effectively transferred down to the intended beneficiaries.

10. Practices at other institutions:

(a) Most development financing institutions rely solely or at least partly on country-based criteria, such as the level of indebtedness or the gross domestic product of the recipient countries to determine the types of instruments that can be extended, and the terms and conditions of their instruments or a mixed approach combining country and other criteria;

(b) Financial institutions such as the Global Environment Facility (GEF) and the Clean Technology Fund (CTF) adopt a project-specific barrier-based approach;

(c) GCF, GEF and CTF loans are similar for the highest level of concessionality, but the low level of concessionality of GCF loans is slightly lower than the International Development Association standard conditions for blend countries, and lower than the low level of concessionality of other institutions;

(d) Several private sector-focused development finance institutions determine financial terms and conditions and concessionality in a similar fashion on a case-by-case basis, following an analysis of the barriers preventing private investment in the project with margin spreads, which are usually based on internal ratings that include a country risk and a project risk element; and

(e) The International Finance Corporation has instituted since 2012 an independent Blended Finance Committee to review projects that request the use of concessional instruments.

11. The Secretariat notes that the following main recommendations arising from the review have already been implemented/are under implementation:

(a) Development of a grant equivalent calculator with a clear methodology to measure the level of concessionality needed;

(b) Adoption of a uniform approach to measuring concessionality that would also allow for better comparability between private and public sector projects;

(c) Clearer differentiation of policies and guidelines to enhance the readability of policies and guidelines for AEs;

(d) Provision of more guidance by GCF to AEs to enhance process predictability for all types of projects;

(e) Adjustment of the proposal review process, including the timing of intervention by the independent Technical Advisory Panel, so that basic design issues can be raised and resolved earlier;

(f) Implementation of a phased approach for large one-off proposals of a programmatic nature; and

(g) Continuation of the determination of the financial terms and conditions of private sector projects on a case-by-case basis.

12. In addition, based on the review, the Secretariat considers that the following recommendations require further consideration:

(a) Definition and communication of a set of criteria to assist AEs in choosing the level of concessionality granted to a project or programme proposal; and

(b) Differentiation of the level of scrutiny required on concessionality between pilot, scale-up and one-off funding proposals.

VI. Conclusion

13. The Secretariat will continue to review the financial terms and conditions of the GCF financial instruments, as set out in annex II to decision B.09/04, based on the terms of reference to be agreed with the Investment Committee.

14. The Investment Committee proposes to update the terms of reference of the review of the financial terms of conditions of the GCF financial instruments. In updating the terms of reference, the committee also took note of the review of the financial terms and conditions and recommends that the Secretariat continue to review the financial terms and conditions of the GCF financial instruments as set out in annex II to decision B.09/04 based on the updated terms of reference as set out in annex I to this document.

Annex XV: Decision B.09/04: Financial terms and conditions of the GCF instruments

The Board adopted the following decision:

DECISION B.09/04

The Board, having reviewed document GCF/B.09/08 Financial Terms and Conditions of the Fund's Instruments:

(a) *Notes that the Fund will provide grants both with and without repayment contingency;*

(b) *Adopts the financial terms and conditions of grants and concessional loans as contained in Annex II to this document;*

(c) *Decides that use of grants with repayment contingency shall be limited to the private sector and that their terms and conditions shall be determined on a case- by-case basis;*

(d) *Also decides that the Fund will use differentiated terms for outgoing concessional loans to the public sector following the principles and factors set out in Annex III to decision B.05/07;*

(e) *Further decides 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;*

(f) *Decides 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;*

(g) *Notes the need for the Fund, when making funding decisions, to consider the terms and conditions of the proposed financial instruments by the Accredited Entity to the recipient, as well as the financial terms and conditions of the financial instruments being requested from the Fund;*

(h) *Decides to review the financial terms and conditions of the Fund's instruments on an annual basis;*

(i) *Requests the Secretariat to prepare and submit for the Board's consideration at its tenth meeting a brief guideline on the application of the case-by-case provisions in the financial terms and conditions of the Fund's instruments; and*

(j) *Decides to consider at the tenth meeting of the Board a proposal regarding the cases in which the high level concessional terms and the low level concessional terms in Annex II, table 2, for public sector proposal will apply.*

Annex XVI: Financial terms and conditions of grants and concessional loans

The GCF financial terms and conditions of grants and concessional loans are outlined in tables 1 and 2 below.

Table 1: Terms and conditions of grants

	Currency	Interest rate	Maturity	Grace period
Grants	Major convertible currency	Grants without repayment contingency: no reimbursement required[1] Grants with repayment contingency: terms adapted to the required concessionality of the project or programme		

Table 2: Terms and conditions of outgoing concessional loans to the public sector

	Currency	Maturity (years)	Grace period (years)	Annual principal repayment years 11–20/6–20 (% of initial principal)	Annual principal repayment years 21–40 (% of initial principal)	Interest	Service fee (per annum)	Commitment fee (per annum)
High concessionality	Major convertible currency	40	10	2%	4%	0.00%	0.25%	Up to 0.50%
Low concessionality	Major convertible currency	20	5	6.7%	Not applicable	0.75%	0.50%	Up to 0.75%

[1] All grants will be subject to an obligation for repayment if the recipient is found to be in a material breach of its contractual obligations towards the GCF or involved in a material violation of the GCF integrity or fiduciary standards, including those on corruption or fraud.

Annex XVII: Terms of reference for the review of the financial terms and conditions of the GCF financial instruments

I. Scope of the review

1. The scope of the review will include an internal component, which takes stock of the projects and programmes approved by the Board and the GCF policies related to financial terms and conditions, and an external component, which takes stock of the practices with respect to the terms and conditions of financial instruments used by other organizations with policy mandates related to those of GCF.

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

II. Methodology

3. Specifically, the review will:

(a) For all financial instruments, assess whether existing Board guidance has been correctly applied, including that contained in decisions B.09/04, B.05/07 and B.07/06, and make recommendations, if any, to enhance the application of this guidance. In particular, the assessment should take into account the need to tailor the level of concessionality to the overall impact of investment, consistent with decision B.05/07;

(b) For financial instruments extended to the public sector, review the application of the criteria used to assess the appropriateness of the financial instrument (grant, high concessional loan, low concessional loan) provided;

(c) For financial instruments extended to the private sector, identify emerging patterns and other issues which could lead to additional guidance on the parameters to be used for assessing private sector projects/programmes, including sector, geography and other characteristics of the project;

(d) For all projects/programmes with non-grant co-financing, compare financial terms and conditions approved by the Board compared with the financial terms approved by other project/programme co-financiers (where this information is available);

(e) Assess the impact that the conditions and covenants included in the approval of a project/programme has on the overall costs to the accredited entity (AE) and the executing entity. This assessment should include an assessment of the viability and ease of implementation of these conditions and covenants and their potential impact on enhancing the effectiveness of the project/programme;

(f) Assess the appropriateness of the AE fees for approved private sector projects and provide additional guidance on how to provide further clarity to AEs when preparing subsequent projects;

(g) Assess the approach taken to measure the grant equivalence of each project/programme and proposed enhancements to the methodology;

(h) Assess that the terms and conditions are being applied in a way that provides appropriate incentives to carry out mitigation and adaptation activities while avoiding market distortions and the displacement of other sources of financing, including crowding out the private sector; and

(i) Assess how the concessionality provided to the AE by the GCF in approved funding proposals is passed on to the recipients of the project/programme, provided that sufficient data are available.

4. Additionally, the review may be extended to assess the conditions and covenants applied to the project/programme with a view to gaining knowledge of their potential impact during implementation and ensuring that such conditions/covenants contribute to enhancing project/programme effectiveness without putting undue hindrance on recipients.

5. The review will also take stock of practices with respect to the terms and conditions of financial instruments used by other organizations with policy mandates related to those of the GCF. Emphasis will be placed on any changes that may have taken place since October 2014, when the Secretariat provided the Board with a review of practices of other organizations providing concessional loans.

6. 1 Institutions will include: the International Development Association, the Clean Technology Fund, the International Finance Corporation, the Global Environment Facility and large foundations providing both grant and non-grant financial instruments, such as the Bill & Melinda Gates Foundation.

7. Additionally, particularly with respect to financial instruments provided to the private sector, the review will incorporate the practices of other institutions active in the area of climate financing, including at least one international financial institution, one national development bank, one fully private sector organization focused on climate-related investments in emerging markets and one foundation or non-governmental organization.

III. Deliverables

8. The output of the review will be a report to the Board based on the assessment of the elements defined in chapter I above. The review may propose additions or adjustments to the adopted financial terms and conditions for the Board's consideration, consistent with GCF policies.

9. The first review is expected to generate lessons learned, not only related to the GCF financial terms and conditions, but also for conducting the review itself going forward. As the review is to be done annually, the review report may also propose adjustments to the scope of future reviews for the Investment Committee's consideration. The Investment Committee may then wish to modify these terms of reference for Board consideration.

IV. Reporting arrangements

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

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

Annex XVIII: Members and alternate members of the Board of the Green Climate Fund as of 8 July 2019

Members	Alternate members	Constituency/Regional group
Mr. Nagmeldin Goutbi Elhassan Mahmoud (Sudan) Senior Researcher Higher Council for Environment and Natural Resources	Mr. Wael Ahmed Kamal Aboul Madg (Egypt) Ambassador Ministry of Foreign Affairs	Developing country Parties from the African States
Mr. Richard Muyungi (United Republic of Tanzania) Director Vice President's Office	Mr. Tlou Emmanuel Ramaru (South Africa) Policy Analyst Department of Environmental Affairs and Tourism	
Mr. Cheikh Sylla (Senegal) Senior Technical Advisor Office of Prime Minister	Mr. Tanguy Guillaume Gahouma-Bakale (Gabon) Permanent Secretary National Climate Council	
Mr. Ayman Shasly (Saudi Arabia) International Policies Consultant Ministry of Petroleum and Mineral Resources	Ms. Loren Legarda (Philippines) Senator Chairperson of Committee on Finance and Climate 17th Congress	Developing country Parties from the Asia-Pacific States
Mr. Ali Gholampour (Iran, Islamic Republic of) Minister Counsellor/Senior Climate Finance Expert Ministry of Foreign Affairs	Mr. Chang Huh (Republic of Korea) Director General, Development Finance Ministry of Economy and Finance	
Mr. Wenxing Pan (China) Director, International Financial Institution Division III, Department of International Economic and Financial Cooperation Ministry of Finance	Mr. Nauman Bashir Bhatti (Pakistan) Deputy Head of Mission Embassy of Pakistan, Brussels, Belgium	
Mr. Paul Oquist Kelley (Nicaragua) Minister – Private Secretary for National Policies President of the Republic	Mr. Jorge Alberto Ferrer Rodriguez (Cuba) Minister Counselor Ministry of Foreign Affairs	Developing country Parties from the Latin American and the Caribbean States
Mr. Reinaldo Salgado (Brazil) Ambassador Ministry of Foreign Affairs	Mr. Ignacio Lorenzo (Uruguay) Director of Climate Change Ministry of Housing, Land Planning, and Environment	

Ms. Karina Ramirez Arras (Mexico) Deputy Director General for Sustainable Finance Secretariat of Finance and Public Credit	Ms. Lorena Palomo (Chile) Senior Economic Adviser for Trade Policy and Sustainable Development Ministry of Finance	Developing country Parties from the Latin American and the Caribbean States
Mr. Jeremiah Garwo Sokan (Liberia) National Coordinator National Climate Change Secretariat Environmental Protection Agency	Mr. Giza Gaspar Martins (Angola) Director, Office of Climate Change Ministry of Environment	Developing country Parties from least developed country Parties
Mr. Ronald Jumeau (Seychelles) Ambassador Ministry of Foreign Affairs	Janine Felson (Belize) Ambassador and Deputy Permanent Representative of Belize to the United Nations Permanent Mission of Belize to the United Nations	Developing country Parties from small island developing States
Ms. Irina Ghaplanyan (Armenia) First Deputy Minister Ministry of Environment	Ms. Victoria Chiriboga (Ecuador) Secretary of Climate Change Ministry of Environment	Developing country Parties not included in the regional groups and constituencies above
Ms. Sarah Goulding (Australia) Assistant Secretary, Global Development Branch Department of Foreign Affairs and Trade	Ms. Alison Carlin (New Zealand) Lead Adviser, Climate Change and Environment Ministry of Foreign Affairs and Trade	Developed country Parties, Australia, Czech Republic, and New Zealand
Mr. Roelof Buffinga (Netherlands) Head, Climate Team Ministry of Foreign Affairs	Mr. Bo Jul Jeppesen (Denmark) Head of Section Ministry of Foreign Affairs	Developed country Parties, Denmark, Luxembourg, and Netherlands
Mr. Cyril Rousseau (France) Deputy Assistant Secretary, Multilateral Financial Affairs and Development Division, and Director-General of the Treasury Ministry for the Economy and Finance	Mr. Leonardo Puppetto (France) Head for Multilateral Financing for Development and Climate Ministry for the Economy and Finance	Developed country Parties, France
Mr. Frank Fass-Metz (Germany) Deputy Director General, Commissioner for Climate Policy and Climate Financing Federal Ministry for Economic Cooperation and Development	Mr. Norbert Gorissen (Germany) Deputy Director General International Policy Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Developed country Parties, Germany

Mr. Hiroshi Matsuura (Japan) Deputy Assistant Minister for Global Issues Ministry of Foreign Affairs	Mr. Yoshitomo Kondo (Japan) Director for Development Issues Ministry of Finance	Developed country Parties, Japan
Mr. Hans Olav Ibrekk (Norway) Policy Director of Section for Energy and Climate Ministry of Foreign Affairs	Mr. Jose Delgado (Austria) Senior Climate Policy Advisor Federal Ministry of Finance	Developed country Parties, Norway and Austria
Ms. Sue Szabo (Canada) Director General Food Security and Environment Global Affairs Canada	Ms. Liesbeth Loddewykx (Belgium) Assistant Director, Environment and Climate, FPS Foreign Affairs Foreign Trade and Development Cooperation	Developed country Parties, Canada and Belgium
Ms. Paola Pettinari (Italy) Senior Adviser, International Finance Relations Directorate Ministry of Economy and Finance	Ms. Esther González Sanz (Spain) Coordinator of Climate Funds Ministry of Economy and Business	Developed country Parties, Italy and Spain
Mr. Stefan Schwager (Switzerland) Head, International Climate and Biodiversity Finance Federal Office for the Environment	Ms. Johanna Pietikäinen (Finland) Programme Officer, Department for Development Policy Ministry of Foreign Affairs	Developed country Parties, Finland and Switzerland
Lars Roth (Sweden) Deputy Director, Division for Climate, Energy and Environment Ministry of Foreign Affairs	Mr. Mattias Frumerie (Sweden) Director, Division for Climate, Energy and Environment Ministry for Foreign Affairs	Developed country Parties, Sweden
Mr. Josceline Wheatley (United Kingdom) Head of International Team, Climate and Environment Department Department for International Development	Ms. Kate Hughes (United Kingdom) Deputy Director, International Climate Finance Department for Business, Energy and Industrial Strategy	Developed country Parties, United Kingdom
Mr. Mathew Haarsager (United States) Deputy Assistant Secretary for MDB Operations and Policy Department of the Treasury	Mr. Trigg Talley (United States) Director, Office of Global Change Department of State	Developed country Parties, United States