



GREEN  
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# Report of the twenty-fourth meeting of the Board, 12 – 14 November 2019

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**GCF/B.24/18**

17 February 2020

**Meeting of the Board**

12 – 14 November 2019

Songdo, Incheon, Republic of Korea

Agenda item 25

## Table of Contents

Agenda item 1: Opening of the meeting	1
Agenda item 2: Adoption of the agenda and organization of work	1
Agenda item 3: Adoption of the report of the twenty-third meeting of the Board	3
Agenda item 4: Board decisions proposed between the twenty-third and twenty-fourth meetings of the Board	3
Agenda item 5: Report on the activities of the Secretariat	4
Agenda item 6: Reports from Board committees, panels and groups	9
Agenda item 7: Reports from the independent units	10
Agenda item 8: Report on the activities of the Co-Chairs	16
Agenda item 9: Performance review of the GCF	17
<i>DECISION B.24/01</i>	22
Agenda item 10: Matters related to the first formal replenishment of the GCF	22
(a) Report from the replenishment process	22
(b) Consideration and endorsement of the outcomes of the first formal replenishment process	24
<i>DECISION B.24/02</i>	25
Agenda item 11: Strategic planning for 2020 – 2023	25
(a) Update to the Strategic Plan of the GCF	25
<i>DECISION B.24/03</i>	36
(b) Workplan of the Board for 2020 – 2023	37
<i>DECISION B.24/04</i>	37
Agenda item 12: Work programme of the Secretariat and administrative budget for 2020	39
<i>DECISION B.24/05</i>	45
Agenda item 13: Matters related to the independent units	46
(a) Work programme and budget of the Independent Evaluation Unit	46
<i>DECISION B.24/06</i>	49
(b) Work programme and budget of the Independent Integrity Unit	49

<i>DECISION B.24/07</i>	50
(c) Work programme and budget of the Independent Redress Mechanism	50
<i>DECISION B.24/08</i>	52
Agenda item 14: Consideration of funding proposals	52
<i>DECISION B.24/09</i>	77
<i>DECISION B.24/10</i>	79
Agenda item 15: Consideration of accreditation proposals	80
<i>DECISION B.24/11</i>	86
<i>DECISION B.24/12</i>	91
Agenda item 17: Matters related to the accreditation framework	92
<i>DECISION B.24/13</i>	103
Agenda item 18: Review of the initial investment framework: policy on co-financing	103
<i>DECISION B.24/14</i>	104
Agenda item 19: Matters related to the evaluation policy and the guidelines for the effective functioning of the Independent Evaluation Unit	105
<i>DECISION B.24/15</i>	106
Agenda item 20: Independent Evaluation of the GCF Country Ownership Approach	106
Agenda item 21: Status of GCF resources and portfolio performance	106
Agenda item 22: Dates and venues of upcoming meetings of the Board	109
<i>DECISION B.24/16</i>	110
Agenda item 23: Other matters	110
Agenda item 24: Election of Co-Chairs for 2020	110
Agenda item 25: Close of the meeting	111
Annex I: Policy for contributions to the Green Climate Fund for the first replenishment	112
Annex II: GCF policy cycle for 2020 – 2023	124
Annex III: Workplan of the Board for 2020–202327F	125
Annex IV: Work programme of the Secretariat for 2020 and administrative budget	139
Annex V: Total administrative budget including independent units	181

Annex VI:	Results management framework for the Secretariat's 2020 work programme	182
Annex VII:	Independent Evaluation Unit Annual Work Plan and Budget for 2020	194
Annex VIII:	The IEU's Three-Year Objectives and Work Plan (2020-2023)	207
Annex IX:	Workplan and Budget of the Independent Integrity Unit for 2020	214
Annex X:	Independent Integrity Unit Budget for 2020	222
Annex XI:	Output Description/Budget Categories	223
Annex XII:	2020 Work Plan of the Independent Redress Mechanism	224
Annex XIII:	Budget for 2020	228
Annex XIV:	List of conditions and recommendations	230
Annex XV:	Accreditation assessment of applicant 090 (APL090)	236
Annex XVI:	Accreditation assessment of applicant 091 (APL091)	257
Annex XVII:	Accreditation assessment of Applicant 092 (APL092)	271
Annex XVIII:	Accreditation assessment of applicant 093 (APL093)	286
Annex XIX:	Accreditation assessment of applicant 094 (APL094)	303
Annex XX:	Accreditation assessment of applicant 095 (APL095)	316
Annex XXI:	Accreditation assessment of applicant 096 (APL096)	330
Annex XXII:	Additional entities of other relevant funds for fast-track accreditation eligibility	341
Annex XXIII:	Gender Policy of the GCF	342
Annex XXIV:	Gender Action Plan of the GCF 2020–2023	349
Annex XXV:	Gender Action Plan Indicators	353
Annex XXVI:	Re-accreditation process for accredited entities	359
Annex XXVII:	Framework for the GCF project-specific assessment approach	367
Annex XXVIII:	Policy on Co-financing	377
Annex XXIX:	Amendments to the terms of reference for the Head of the Independent Evaluation Unit	381
Annex XXX:	Decisions taken between the twenty-third and twenty-fourth meetings of the Board	382



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Annex XXXI: Members and alternate members of the Board of the Green Climate  
Fund as of 14 November 2019

## Agenda item 1: Opening of the meeting

1. The Co-Chairs expressed a warm welcome to everyone and officially opened the twenty-fourth meeting of the Board (B.24) at 9:17 a.m. on Tuesday, 12 November 2019 in Songdo, Republic of Korea.
2. The Co-Chairs welcomed new Board and alternate members:
  - (a) Ms. Xia Lyu, who replaced Mr. Wenxing Pan as Board member;
  - (b) Mr. Masahiro Takasugi, who replaced Mr. Hiroshi Matsuura as Board member;
  - (c) Ms. Holly Kirking Loomis, who replaced Ms. Elizabeth Lien as alternate member; and
  - (d) Mr. Tobias von Platen-Hallermund, who replaced Mr. Roelof Buffinga as Board member, with Mr. Buffinga replacing Mr. Bo Jul Jeppesen as alternate member.
3. In addition, they noted the following rotations, namely, Mr. Tlou Emmanuel Ramaru would act as an alternate member to Mr. Nagmeldin Goutbi Elhassan-Mahmoud and Mr. Wael Ahmed Kamal Aboul-Magd would act as alternate member to Mr. Richard Muyungi (see para. 4 below).
4. The Co-Chairs also noted that the following members of the Board were unable to attend the meeting:
  - (a) Mr. Reinaldo Salgado, Board member;
  - (b) Mr. Matthew Haarsager, Board member;
  - (c) Mr. Ignacio Lorenzo, alternate member. The Co-Chairs noted that Mr. Lorenzo was unable to attend owing to his son being unwell. On behalf of the Board, they expressed their good wishes to him and his family at this time;
  - (d) Mr. Mattias Frumerie, alternate member; and
  - (e) Mr. Wael Ahmed Kamal Aboul-Magd, alternate member. Mr. Aboul-Magd had been due to act as alternate to Mr. Richard Muyungi. (see para. 3 above).
5. The Co-Chairs thanked the outgoing Board and alternate members for their contributions to the work of the Board.
6. 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. The Co-Chairs expressed their gratitude to all those concerned for their efforts, and to the Secretariat for its tireless support.

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

7. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/01/Drf.02 titled “Provisional agenda”, which was circulated to the Board on 10 November 2019. 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).
8. A Board member, while noting that they had no objection to the agenda, requested that the Co-Chairs attempt to follow the order of the agenda as much as possible. While recognizing the Co-Chairs put together daily programmes that sought to maximize the use of time, the Board member said that adhering as closely as possible to the sequence of the agenda allowed Board members to effectively prepare for the following day.

9. The Co-Chairs stated that they were holding consultations on a number of items and would endeavour to follow the order of the agenda as closely as possible.
10. There being no further comments and 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-third meeting of the Board
  4. Board decisions proposed between the twenty-third and twenty-fourth 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
  9. Performance review of the GCF
  10. Matters related to the first formal replenishment of the GCF
    - (a) Report from the replenishment process
    - (b) Consideration and endorsement of the outcomes of the first formal replenishment process
  11. Strategic planning for 2020 – 2023
    - (a) Update to the Strategic Plan of the GCF
    - (b) Workplan of the Board for 2020 – 2023
  12. Work programme of the Secretariat and administrative budget for 2020
  13. Matters related to the independent units
    - (a) Work programme and budget of the Independent Evaluation Unit
    - (b) Work programme and budget of the Independent Integrity Unit
    - (c) Work programme and budget of the Independent Redress Mechanism
  14. Consideration of funding proposals
  15. Consideration of accreditation proposals
  16. Updated Gender Policy and Action Plan 2020–2023
  17. Matters related to the accreditation framework
  18. Review of the initial investment framework: policy on co-financing
  19. Matters related to the evaluation policy and the guidelines for the effective functioning of the Independent Evaluation Unit
  20. Independent Evaluation of the GCF Country Ownership Approach
  21. Status of GCF resources and portfolio performance
  22. Dates and venues of upcoming meetings of the Board
  23. Other matters
  24. Election of Co-Chairs for 2020

25. Close of the meeting

### **Agenda item 3: Adoption of the report of the twenty-third meeting of the Board**

11. The Co-Chairs opened the agenda item and drew the attention of the Board to the report of twenty-third meeting of the Board as transmitted to the Board on 2 September 2019 in document GCF/B.23/24 titled “Report of the twenty-third meeting of the Board, 6 – 8 July 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 17 September 2019 with a view to adoption at B.24. The Co-Chairs invited the Board to adopt the report.
12. They opened the floor for comments.
13. There being no comments or objections, the Co-Chairs took it that the Board wished to take note of the report.
14. The Board took note of the report of the twenty-third meeting of the Board.

### **Agenda item 4: Board decisions proposed between the twenty-third and twenty-fourth meetings of the Board**

15. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/Inf.11 titled “Board decisions proposed between the twenty-third and twenty-fourth meetings of the Board”. They informed the Board that two decisions had been circulated to the Board for approval without a Board meeting and had been adopted. The two decisions were:
- (a) “Accreditation of observer organizations” (decision B.BM-2019/11); and
- (b) “Consideration of request for changes in pricing and tenor in respect of FP080 (Zambia Renewable Energy Financing Framework)” (decision B.BM-2019/12).
16. They invited the Board to take note of the document.
17. A Board member wished to note an issue that had arisen with regard to the decision on FP080. They explained that the decision had involved a change in the level of concessionality of GCF funding. This was an example of the “winner’s curse” because the change had been effected following the outcome of a competitive process in order to ensure that the entity could deliver on its commitments. The Board member said that they had not objected to the decision on the basis that this was the first time that such a course of action had been taken and that it was necessary in order to maintain the project. However, the Board member urged caution in taking such an approach repeatedly because this would expose GCF to moral hazard and to a lack of clarity in its competitive processes. In addition, the Board should consider how to better apply blending in future projects of this nature. Another Board member said that they shared these concerns.
18. The Co-Chairs noted that several Board members had voiced these concerns intersessionally and that the Secretariat was aware of them.
19. There being no further comments and no objections, the Board took note of document GCF/B.24/Inf.11 titled “Board decisions proposed between the twenty-third and twenty-fourth meetings of the Board”.
20. No decision was taken under this agenda item.

21. Later in the meeting, a Board member proposed that the approval of simplified approval process (SAP) projects could, in future, be considered through decisions between meetings. The discussion of this proposal is reported under agenda item 14 on the consideration of funding proposals.

## **Agenda item 5: Report on the activities of the Secretariat**

22. The Co-Chairs opened the agenda item and drew the Board's attention to document GCF/B.24/Inf.08 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", its addendum Add.02 titled "Development of sectoral guidelines and consultation process" and document GCF/B.24/Inf.09 titled "Report on the execution of the 2019 administrative budget of the GCF".

23. They invited the Executive Director, Mr. Yannick Glemarec, to provide an introduction.

24. The Executive Director provided brief highlights of progress against each of the six overarching goals in the Secretariat's 2019 workplan covering the period from 1 May to 31 August 2019.

### **Supporting the Board in taking informed decisions, enhancing responsiveness to guidance from the Conference of the Parties and preparing for replenishment**

25. One of the key objectives under this first goal had been to support the Co-Chairs and the Board in the development of strategic documents for B.24, namely the Strategic Plan for the GCF: 2020–2023 (2020–2023 Strategic Plan), the workplan of the Board 2020–2023 and the Board's 2020 workplan. A further top priority objective had been to support the first replenishment of the GCF. Over 500 meetings had been held during the reporting period. One of the outputs had been the Replenishment Summary Report discussed by the replenishment group in Ottawa, Canada, at the end of August. As part of high-level political advocacy and outreach to ensure a successful replenishment, the Secretariat had developed a suite of communication materials, including the report on the initial resource mobilization; Board members were strongly encouraged to take a copy of this document. In addition, the Secretariat had undertaken its regular support for day-to-day Board operations, including the preparation of more than 35 documents for B.23.

### **Strengthening country ownership and the capacity of national designated authorities**

26. Following the Board's decision on the Readiness and Preparatory Support Programme: Strategy for 2019–2021 (Readiness Programme 2019–2021), the Secretariat undertook major work to rethink support to countries under this second goal. New Readiness Programme 2019–2021 guidelines would soon be issued. The Secretariat built an innovative partnership with the Adaptation Fund and set up a community of practice for direct access entities (DAEs) and held the first workshop. In collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), it organized five training workshops for NDAs and focal points. Eighty-four countries attended these workshops. Furthermore, a knowledge hub on readiness had been established. Over 300 interim reports on Readiness and Preparatory Support Programme (Readiness Programme) deliverables were received, and there were 33 comprehensive completion reports. This would enable every country to look at what others were doing, particularly where they were addressing similar challenges. The Secretariat had also been working to accelerate readiness implementation. The number of days from approval to implementation had been reduced from 280 to 63 today; while not outstanding, it was going in the right direction.

## **Strengthening efforts to assess and articulate climate impact and build a paradigm-shifting portfolio**

27. Following the mandate from the Board at B.17, a key element under this third goal was the development of sectoral guidance to enable AEs to identify what was required to fully meet the investment criteria of the GCF to make the process more efficient. During the first phase in 2019, the Secretariat adopted an opportunistic approach so as not to exceed the budget and piggy-backed on other events such as international conferences to carry out consultations. Communities of practice had been created so that the Secretariat would work with sector experts. During the second phase, the same approach would be adopted to finalize the sectoral guidance for all sectors so that people could track the overall consultation process. The addendum to the “Report on the activities of the Secretariat” detailed the proposed process. The document drafting process is now getting underway with the aim of having the gist available by B.25 to support the Board as they considered the updated Strategic Plan. Other activities were mentioned in the Executive Director’s regular bulletin to the Board, including the Global Programming Conference held in Songdo during the reporting period, which welcomed representatives from more than 115 countries, including over 50 from the ministerial level.

## **Operationalizing a proactive and strategic approach to programming**

28. The Secretariat had been working to ensure a strong take-up of the SAP, accelerate the implementation of requests for proposal (RFPs) and conduct a proactive dialogue with AEs on what kind of projects GCF expected to see. In terms of SAP, there had been a dramatic increase of more than 35 per cent over the reporting period in terms of volume, from USD 496 million to USD 693 million.

29. The Secretariat continued to work with AEs on their work programmes, including discussions with 63 of them. Once the Secretariat received further policy guidance for programming for the 2020–2023 period, this effort would be renewed.

30. Regarding RFPs, results were uneven. There was substantial demand for the USD 500 million set aside for REDD-plus. Additionally, there was a huge demand under the mobilizing funds at scale (MFS) RFP, which received 350 concept notes from which the Secretariat had selected 30 of high quality. However, the accreditation process remained a problem as some of the strongest concepts came from entities that were not accredited. Extensive consultations had taken place with existing AEs to establish if they could support some of the ideas, but, because some of them were highly innovative and therefore risky, existing AEs were reluctant to directly support them. The Executive Director expressed strong support for the project-specific assessment approach (PSAA) to complement the existing accreditation system.

## **Accelerating implementation and managing results**

31. The Secretariat had met or exceeded most of its 2019 objectives under this fifth goal. The funded activity agreement (FAA) target was 76 signed FAAs, but GCF was already at 81 signed FAAs as at 12 November 2019 and could well exceed 90 by the end of the year. This was the result of an approach whereby funding proposals and FAAs were dealt with in parallel rather than sequentially. The Board would recall that one FAA had been signed on the same day at B.23 that the Board approved the funding proposal; at B.24 there could be a further three FAAs signed on the same day as Board approval. Within a year the Executive Director expected this to be the default approach. Regarding accreditation master agreements (AMAs), the target was to have 59 signed by the end of the year, but there were already 65 signed. Overall this would represent between 70 and 80 per cent of the total.

32. The Secretariat undertook additional initiatives to further accelerate implementation, including doing project cycle mapping and identifying options to streamline processes on a

“who-does-what-when basis”. The results of these initiatives would be captured in an operations manual, a policy cycle manual and a funding proposal manual. These manuals would introduce key project cycle processes, what was expected in a template and what kind of appraisal criteria was being used by GCF. They would also help AEs to understand clearly what was required to fully meet GCF investment criteria.

### **Efficient and effective operational processes and systems**

33. Finally, the Executive Director noted that he had been reminded by the Board member from Brazil at B.23 of his “campaign promise” to work urgently to improve transparency. One of the proposals had been to establish a tracking mechanism for funding proposals. The development of this was now well underway thanks to the information and communications technology (ICT) team.

34. The Executive Director introduced a short video to demonstrate how the new tracking system would work. In essence this meant moving away from the current email-driven system used by countries when submitting funding proposals or concept notes. Under the new system, everyone would have access to all the information on the status of a funding proposal or concept note, which would provide an electronic trail on the country’s portal. This would be launched at the same time as the funding proposal and operations manuals so that NDAs and focal points would know exactly which stage their proposal was in the process. This would be tested with two AEs, and the plan was for it to be up and running by the third quarter of 2020. Furthermore, unless there was a specific objection from an AE with a strong reason, all annexes for the public sector would be disclosed. This project management system and the disclosure of these documents would make GCF one of the most transparent funds in the industry.

35. The Co-Chairs thanked the Executive Director and the Secretariat for what had been a very busy period and opened the floor for comments.

36. In the ensuing discussion there was widespread praise for the work undertaken by the Secretariat during the year and for the strong leadership of the Executive Director. It was particularly noted that much had been achieved in a very challenging and busy year, with replenishment and under new leadership. Furthermore, the successful first replenishment was applauded with one Board member commending those countries that had “stepped up to plate” with their pledges. Several Board members highlighted the improvements in performance and responsiveness to developing countries that had been achieved during the reporting period. Others thanked the Executive Director for his excellent presentation.

37. A number of comments and questions were made as follows.

38. Several Board members urged the Executive Director and the Secretariat staff to continue efforts to improve responsiveness to the needs of developing countries, with one asking that the Secretariat continue to be proactive in identifying the access needs of countries so that these could be addressed. Some also took the opportunity to remind the Board that GCF was an operating entity under the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and not a multilateral development bank (MDB). This provided a strong context for the functioning of GCF. While there was support for many creative ideas emanating from the Secretariat, this wider context must always be at the forefront of thinking. Liabilities could not be shifted from developed to developing countries. GCF would remain a public, grant-based fund and any policy recommendations must remain firmly guided by its mandates under the UNFCCC, the Conference of the Parties (COP) and the Paris Agreement. It was essential in the plethora of innovative work that was being done to keep a simple and clear focus on providing access and getting funds to vulnerable communities in a timely manner. In this regard, one Board member cautioned against changing the identity of GCF and that some of the language in the draft updated Strategic Plan used terms that were not in the Governing Instrument for the GCF or guidance from the COP. It should be borne in mind

by everyone that the relationship between GCF and the COP was governed by a formal arrangement approved by the 197 Parties to the UNFCCC. They also noted that the Board and the Secretariat each had their own responsibilities. The Board provided as much power to the independent Secretariat as possible, but, at the end of the day, Board members represented governments and constituencies and were not technical experts. At the twenty-fifth session of the COP (COP 25), Board members wished to be able to report positive progress.

39. One Board member noted several specific points:

- (a) The initiative to enable tracking of funding proposals was a great step forward;
- (b) Progress on speeding up the signing of AMAs and FAAs was remarkable and exceeded targets for 2019, and GCF was really moving towards implementation on the ground; and
- (c) On the proposed structure of sectoral guidance, the Board member noted the role of GCF in helping countries implement their responsibilities under the Paris Agreement, through their nationally determined contributions (NDCs) and within the NDC cycle. There should be a reference in the structure of sectoral guidance to the objective of the GCF in supporting transformational change per the Governing Instrument and providing a theory of change in this regard. This should show how GCF provided added value and the additional contribution provided by GCF in implementing the Paris Agreement.

40. Several Board members asked for clarification regarding the partnership agreements captured in annex II of the report on the activities of the Secretariat. What were the strategic considerations for the selection of partner organizations and the criteria used? One Board member asked that this annex remain a regular component of the report as it enhanced transparency; it also helped to explain how the memorandums of understanding (MOUs) enhanced the strategic goals of GCF. It would also be useful to know which partnerships were under consideration for the future.

41. Another Board member requested information on the role of GCF at the United Nations Secretary-General's Climate Summit in September 2019.

42. Another Board member wished to have more information on the sectoral guidelines. What was the added value of these and for whom were they intended?

43. In terms of country engagement between NDAs and Board members, a Board member noted that the workshops conducted by the Secretariat with NDAs had been successful. Furthermore, they urged that a way be found for a more intense engagement between Board members and NDAs. They underlined that the establishment of more DAEs should be a priority for the Board; this represented a way of building capacity.

44. The Co-Chairs invited the active observer for civil society organizations (CSOs) to take the floor.

45. The active observer for CSOs expressed special thanks to the Executive Director. CSOs had repeatedly called for greater transparency in terms of public sector proposals and their annexes (and the same for the private sector funding proposals, with any commercially sensitive information redacted). In a short space of time, these were now being made available.

46. The observer welcomed the addendum to the report on sectoral guidelines. As these sectoral guidelines were supposed to be important building blocks of the implementation framework for the updated Strategic Plan to be approved at B.25, and thus core determinants for the investment priorities of GCF during the first implementation period, it was crucial that the process for their development be transparent and fully participatory.

47. The observer also expressed regret that input into the drafting and the determination of the content of these sectoral guidelines had been largely opaque and somewhat artificially

restricted to what are known as technical “Communities of Practice”. In order for these sectoral guidelines to support investments that would reach the broadest numbers of beneficiaries, and especially those most vulnerable and marginalized, their development had to reflect a diversity of expertise, including the traditional knowledge and relevant experiences that civil society, local communities, women and indigenous peoples brought to the discussion. This would also help ensure that the needs of these groups could be met and their rights protected in the projects and programmes developed in accordance with these guidelines.

48. Going forward CSOs wished to have a clear commitment that these stakeholder groups would be included in a comprehensive consultation approach. The current language did not reflect this commitment adequately.

49. Lastly, the observer appreciated that there was now an effort to propose a coherent structure with minimum content segments that all 10 draft sectoral guidelines should include. In addition to the suggested segments, they said they would like to see the existing focus on a market analysis complemented with a focus on needs- and rights-based approaches. Also, the sectoral guidelines should clearly elaborate certain “no-go” or “exclusion areas” in the various sectors to send a clear message that certain approaches or technologies were incompatible with the overarching mandate of GCF.

50. The Co-Chairs thanked the observer for their comments and those of Board members and invited the Executive Director to respond to questions raised.

51. The Executive Director said that he would give a few quick responses and provide more comprehensive responses bilaterally in the coming days.

52. On sectoral guidance, work had begun following B.17 and was now accelerating with consultations taking place when opportunities presented themselves. The way guidelines were developed for each sector was inevitably different. So, the development of guidelines for land restoration and management would be different than those for energy efficiency or renewable energy as the timing and people involved would be different. Enough information had now been collected and the aim was to have a “target for practice” draft by the end of the year. The same approach for each sector would continue until June 2020. The suggestions about expanding the table of contents were excellent. Regarding the mandate of GCF, the Secretariat would ensure that sectoral guidance was rooted in the UNFCCC, the Governing Instrument and the Paris Agreement. Once this was ready another round of consultations would take place with guidance from the Board. The overall aim of the guidelines was to facilitate access and to make sure that NDAs, focal points and AEs had a clear idea of what elements were needed for successful engagement with GCF. The guidelines should result in easier access, lower transaction costs, shorter transaction time and a highly transformative portfolio that achieved the ultimate objectives of the UNFCCC and Paris Agreement.

53. On partnerships, the Executive Director noted that GCF was a partnership institution working for and through its partners. It was important for GCF to look at the priority and nature of its partnerships. The 2020–2023 Strategic Plan zero draft outlined an approach to more strategically establishing partnerships so that the culture of partnerships was firmly embedded in the GCF way of working and that key partnerships were prioritized. Of the partnerships listed in annex II of the “Report on the activities of the Secretariat”, a majority were about strengthening direct access, such as the MOU with the International Development Finance Club (IDFC), through which the Secretariat was seeking to mainstream GCF environmental and social safeguards (ESS) across its network. IDFC was strategically important, with USD 800 billion under investment, of which USD 200 billion was for climate change. As such, it represented a key group of partners. This was similarly the case for the MOU with the China Development Bank, which was also part of IDFC. Some partnerships had been recommended by Board members and the list naturally included the UNFCCC. The partnership strategy would be ready

by March 2020 and presented to the Board at B.25 or B.26, depending on guidance from the Co-Chairs.

54. The United Nations Secretary-General's Climate Summit was not covered in the report as it was outside the reporting period. A unique approach had been adopted with the replenishment group on the one hand and a series of high-level political events on the other to encourage Heads of State to make ambitious pledges. This built on the leadership provided by Germany and Norway in November 2018, which had set a high standard as both countries had doubled their initial resource mobilization pledges; this created a political dynamic that was favourable to GCF. With the support of France, this dynamic had been built on at the Group of Seven where Canada, France and the United Kingdom of Great Britain and Northern Ireland announced their pledges. The aim of the Climate Summit had been to secure further pledges, and this had been achieved with 11 more countries pledging. The Executive Director expressed his gratitude to the Governments of Jamaica and Norway, whose prime ministers had agreed to host a Heads of State lunch before the Climate Summit to demonstrate GCF was a partnership of all countries. Fifty per cent of countries had doubled their pledges, and 90 per cent were increasing their pledges vis-à-vis the initial resource mobilization.

55. The Co-Chairs thanked the Executive Director for the report and for the answers to the questions that had been raised. It was clear that there was support from the Board for the results achieved by the Secretariat under its new leadership.

56. They asked the Board if it wished to take note of the report. Hearing no further comments and no objections, it was so noted.

57. The Board took note of document GCF/B.24/Inf.08 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" and its addendum Add.02 titled "Development of sectoral guidelines and consultation process".

58. The Board also took note of document GCF/B.24/Inf.09 titled "Report on the execution of the 2019 administrative budget of the GCF".

59. No decision was taken under this agenda item.

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

60. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/Inf.07 titled "Reports from committees, panels and groups 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". These contained reports from the following committees, panels and groups:

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

61. 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.
62. They invited the chairs of committees, panels and groups wishing to bring any further matter to the attention of the Board to do so and opened the floor for this purpose.
63. The Chair of the BC, Mr. Jose Delgado, said he wished to bring the Board's attention to annex I of the report, which referred to the review of amounts to be set aside for the foreign exchange commitment risk buffer for solvency risks. By its decision B.22/21, the Board decided to set aside an initial USD 100 million as a risk buffer and asked the BC to review that amount in line with the recommendations of the risk management framework and recommended to set aside a further USD 70 million, bringing the total foreign exchange risk buffer to USD 170 million. This would be presented under agenda item 12. The BC endorsed this increase.
64. The Co-Chairs thanked the Chair and opened the floor for any further comments from Board members.
65. There being no comments, the Co-Chairs invited the Board to take note of the reports.
66. The Board took note of document GCF/B.24/Inf.07 titled "Reports from committees, panels and groups 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".
67. No decision was taken under this agenda item.

## **Agenda item 7: Reports from the independent units**

68. The Co-Chairs opened the agenda item and drew the attention of the Board to documents GCF/B.24/Inf.06 titled "Annual Report of the Independent Evaluation Unit for 2019"; GCF/B.24/Inf.10 titled "Report on the activities of the Information Appeals Panel"; GCF/B.24/Inf.14 entitled "Report on the activities of the Independent Integrity Unit"; and GCF/B.24/Inf.02 entitled "Report on the activities of the Independent Redress Mechanism".

### **Independent Evaluation Unit**

69. They invited the heads of the Independent Units to present their reports, starting with Ms. Jo Puri, Head of the Independent Evaluation Unit (IEU).
70. Ms. Puri presented the annual report of the IEU. In summary, the IEU had focused on four work streams: (1) producing evaluations of high quality; (2) building and strengthening the IEU; (3) building partnerships and capacity-building support and services; and (4) uptake and communications. The period had been a very active one in respect of evaluations. The timeline in relation to Board meetings was as follows:
  - (a) For B.22 the IEU had submitted the review of the results management framework (RMF), which highlighted that there should be clear definitions, protocols and indicators for the framework;
  - (b) The evaluation of the Readiness Programme had also been submitted at B.22. One of its key recommendations encouraged the Secretariat to redefine the Readiness Programme and to build a strategy that clearly articulated what the Readiness Programme was getting countries ready for, how it was doing this and specifying how success would be measured;
  - (c) The Forward-looking Performance Review of the GCF (FPR), the most ambitious of evaluations in the multilateral world given its speed and rigour, had been presented at

B.23. This highlighted the need to focus on transparency, speed and predictability, and it also underscored how impact and innovation were being built into the strategy;

(d) At the current meeting, the country ownership evaluation had been included in the Board meeting agenda; and

(e) At B.25, the ESS evaluation would be brought forward and work was being undertaken on the learning-oriented real-time impact assessment programme (LORTA).

71. In terms of a second work stream, three staff had been hired and the IEU operational capacity had been strengthened, especially in terms of data analysis capability; work had also been undertaken on the GCF evaluation policy.

72. For the third work stream, Ms. Puri highlighted work on building the evaluation/evidence-gap maps in forestry, adaptation, and machine-learning; IEU staff had also been involved in capacity-building for AEs, NDAs and the Secretariat.

73. In the fourth work stream, the social media outreach of the IEU had been strengthened and over 200 communication products had been prepared and customized for local audiences. IEU communications were now translated into French and Spanish with Arabic translations to come in 2020. Finally, as at August 2019, the IEU had achieved a disbursement rate of 90 per cent against the budget allocated to IEU for 2019. This demonstrated a well-executed workplan.

74. The Co-Chairs thanked the Ms. Puri for reporting on a very busy year for the unit. It was clear that the FPR had been exceedingly important, especially in informing the replenishment process.

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

76. Several Board members thanked Ms. Puri for the report and for the hard work undertaken by the IEU.

77. One Board member underlined the importance of not evaluating for the sake of it; evaluations needed to focus on specific areas where needs had been identified. They expressed concern that evaluations were taking GCF beyond its mandate under the UNFCCC, the Governing Instrument and COP guidance. The FPR had presented certain ideas and language, such as a theory of change, which shifted the identity of GCF. These ideas had already fed into the draft update of the Strategic Plan. GCF had been created to support developing countries to build their capacities in relation to mitigation and adaptation. It was important not to overcomplicate this with too many academic ideas. The member requested that the IEU keep evaluations at a level that was meaningful for developing countries whose priorities were to fight poverty, build food security and grow their economies. Climate change itself was not a priority for developing countries. They requested that the IEU guidelines be brought forward as soon as possible so that the Board could better understand the unit's role.

78. Another Board member echoed some of the remarks of the previous Board member and highlighted that the IEU should be identifying needs and gaps faced by developing countries in respect of adaptation and mitigation. It could then assess how successful GCF was in meeting those needs. Regarding definitions and innovative concepts, the member suggested that there was no common understanding of them. This included the term "paradigm shift", which was not something that could be achieved overnight. The current paradigm in developing countries was a function of the historical structures of economies; it was a holistic issue. In this regard, it was necessary to be realistic in terms of what was delegated to GCF. It was unrealistic to expect that the implementation of a single project in a country would achieve a paradigm shift. Based on the results of the replenishment process, which indicated that GCF could do 50–60 projects per year, if this was divided across developing countries, then most countries would not have one project. It was therefore essential to build policies and programmes that reflected the reality about what could and could not be achieved.

79. A third Board member opined that the work of the IEU was essential for Board members but also for all GCF clients and partners; it enabled everyone to see if GCF was on track in achieving its mandate. Regarding the issue of language mentioned by others, the reality was that the world was complex and simple language could not always express complicated issues. In this regard they noted that the FPR was scientifically rigorous but at the same time was clear and crisp even if not always easy to read. It was good to see that the IEU embraced best practice and they expressed confidence that the IEU had the right methodologies. The Board member encouraged the IEU to continue on its current path.

80. A fourth Board member echoed the previous speaker. The report by the Head of the IEU demonstrated the importance of evaluation for GCF as a learning institution. This needed to underpin and guide all GCF work. The work of the unit was also guiding the development of the future strategy for GCF. They said that the Board was now in a better position to know what GCF was achieving and whether it was delivering on its mandate as set out in the Governing Instrument. It was good to see that a strong unit was being built to further improve the efficiency and effectiveness of GCF and its programming. They commended the work of the IEU.

81. Another Board member also wished to commend the work of the IEU, under the leadership of Ms. Puri, and to recognize its hard work and its outputs. For example, they noted that the evaluation of the Readiness Programme had already helped to set out the way forward for the Readiness Programme 2019–2021. Regarding the FPR, they opined that this was a very useful and convincing document that helped to guide the replenishment. They also echoed the first Board member that parts of the vision and some of the terms used required further discussion and clarification. They also highlighted the importance of seeing the policies and guidelines for the IEU so that they could develop work programmes and budgets with a clear understanding among Board members as to the direction being taken.

82. The Co-Chairs invited the Head of the IEU to take the floor to respond to the question on guidelines.

83. Ms. Puri said that the IEU sought, with humility and to the best of its ability, to reflect its mandate of learning and accountability. The IEU used the best theory to inform the FPR. It had also engaged with more than 20 countries and followed the same approach to other evaluations. The unit's recommendations were intended to be very practical, for example, a recently published short document contained 15 takeaways from the FPR. Ms. Puri stated that the IEU was very open to suggestions on ways it might better customize its recommendations to better suit the needs of the Board.

84. With regard to the guidelines, a document was being presented for information at this meeting, and it was hoped this item would be brought for a decision at B.25. Furthermore, the thinking was that once there was an evaluation policy for GCF, the different parts of the institution would have sufficient information to enable the development of guidelines and procedures for the IEU.

85. The Board member who had cautioned against going beyond the GCF mandate requested that the guidelines be provided as soon as possible as it may be considerable time for the GCF evaluation policy to be approved; the guidelines could be updated when such a policy was in place.

86. The Co-Chairs confirmed that this matter would be addressed later in the meeting.

87. The report from the IEU was closed.

### **Information Appeals Panel**

88. The Co-Chairs thanked the Head of the IEU and asked Board members to turn their attention to the report of the Information Appeals Panel (IAP) in document GCF/B.24/Inf.10.

89. They invited the current Chair of the IAP, Mr. Ibrahim Pam, Head of the Independent Integrity Unit (IIU), to present the report. Mr. Pam informed the Board that the chairmanship of the Panel was held on a rotating basis for one year and was selected from the IAP members comprising the Heads of the Independent Units as per the Information Disclosure Policy (IDP). The report set out the activities of the IAP for the reporting period in a one-page document.
90. The Chair of the Panel informed the Board that the IAP had not received any appeals during the reporting period.
91. The IAP had continued to follow up with the Secretariat on the implementation of the IAP decision on its first appeal dated 19 November 2018. The Secretariat notified the IAP on 14 October 2019 that the matter was brought to the attention of the Board at B.23 for their information. In response to a communication from the IAP, the Office of the General Counsel (OGC) stated that it has had “consultations with OGA [Office of Governance Affairs] on the issue, but [has not] decided on a clear path. The issue was not free from difficulty. They would continue consulting with OGA and SMT [Senior Management Team] to decide how the issue would be resolved and brought before the Board”. The IAP had had assurances from the Secretariat that, despite the challenges to implement this decision, the matter would be brought to a resolution. They informed the Board that OGC was on hand to elaborate further.
92. The Co-Chairs opened the floor for comments.
93. A Board member sought clarification as to whether the IAP reported to a committee or the Board directly. If they did not report to a committee, it would be necessary to establish this so that the IAP could resolve matters between Board meetings.
94. The Chair of the IAP stated that the IAP reported to the Board.
95. Another Board member requested that OGC update the Board.
96. The Co-Chairs invited the General Counsel to take the floor.
97. The General Counsel, Mr. Douglas Leys, stated that the matter in question related to an exemption relied on by MDBs, as originally conceived, under their AMAs. The IDP required that for category A and category I-1 programmes, environmental and social reports must be disclosed at least 120 days in advance of the decision of the AE or GCF Board on the funding proposal, whichever was earlier. MDBs had difficulties with this time frame as their own policies were, in most cases, 60 days. The Board decided on an exemption for MDBs to comply with their own policies. The matter came before the IAP. The IAP ruled that they must adhere to the 120-day period in the IDP. There were therefore two opposing positions. To date, fortunately, MDBs had complied with the IAP decision so there was currently no issue, but situations could arise in the future where they might wish to resort to the exemption. One option was for the Board to carve out another exemption, although the General Counsel noted that he did not favour this option.
98. The other option favoured by the former chair of the IAP was that the two positions could be reconciled. The General Counsel stated that steps were being taken to avoid this matter arising with the MDBs.
99. The Co-Chairs thanked the General Counsel and asked the Chair of the IAP to comment.
100. Mr. Pam stated that the IAP had a slightly different view. The view of the IAP was that the exemptions did not apply in a manner that would restrict the disclosure. The former chair of the IAP, if the Co-Chairs wished it, could be invited to respond.
101. Regarding reporting lines, Mr. Pam opined that there were probably insufficient cases to warrant reporting to a committee rather than through regular updates to the Board, although the IAP would be guided by the Board on this issue.

102. As the matters coming before the IAP were of the utmost importance in that they affected funding proposals, the Board member proposed that the IAP report to a committee; a decision should be drafted to that effect. They recommended that the appropriate committee was the EAC as it had devised the IDP for GCF and was a standing committee. They would be able to respond quickly to matters arising between meetings.
103. The Co-Chairs said that they would consider this proposal and come back to the Board later in the meeting.
104. Another Board member expressed support for the proposal for the IAP to report to the EAC in the interests of efficiency and transparency in relation to complex funding proposals.
105. A further Board member proposed that this be taken up as part of the review of committees, panels and groups. This was echoed by another Board member who requested that mandates for committees be reviewed in an orderly manner. They also thanked the IAP for the update on the case.
106. The Co-Chairs thanked the Board member for the suggestion, which had been noted.
107. They invited the active observer for CSOs to take the floor.
108. The observer noted that this was an issue of utmost importance for CSOs. It directly impacted on their ability to intervene in an informed way on funding proposals. This decision of the IAP, which was endorsed by the EAC, was very important to implement immediately. They wished to know why it had taken a year. They said this delay should not set a precedent.
109. Noting the difference of opinion of the IAP and the General Counsel, they asked for clarification on the implications of this difference and how the decision would be implemented.
110. The Co-Chairs thanked everyone for their observations. There was clearly support by all for the work on this matter to be undertaken as soon as possible. In the meantime, officers were available to answer questions. The suggestion regarding the IAP reporting to the EAC would be further considered by the Co-Chairs, who would revert to the Board later in the meeting.
111. The report from the IAP was closed.

### **Independent Integrity Unit**

112. The Co-Chairs invited the Head of the IIU, Mr. Pam, to take the floor.
113. Mr. Pam presented a report on the activities of the IIU, focusing on five key areas as follows:
- (a) Completing the GCF integrity framework;
  - (b) Providing advisories on integrity matters;
  - (c) Developing the proactive integrity reviews methodology;
  - (d) Providing capacity-building support to AEs and raising awareness; and
  - (e) Carrying out investigation activities and processing case statistics.
114. The Co-Chairs thanked the Head for the report, noting that it had been a busy policy year for the unit.
115. They opened the floor for questions.
116. There being none, the report from the IIU was closed.

### **Independent Redress Mechanism**

117. The Co-Chairs invited the Head of the Independent Redress Mechanism (IRM) to take the floor.

118. The Head of the IRM, Mr. Lalanath de Silva, presented the report on the activities of the IRM. Mr. de Silva explained that the IRM was busy preparing guidelines for the Board on the consideration of IRM reports and was in close consultation with OGC on these. The Head summarized the outreach events of the IRM in Bangladesh, Thailand and West Africa. The IRM had translated most of its basic information into other United Nations languages. The IRM had done in-reach sessions with GCF staff to raise awareness about the functions of the IRM. The IRM was also preparing an advisory report on how to prevent sexual exploitation, abuse and harassment (SEAH) at the project level (based on lessons learned from the World Bank). The IRM and the IIU shared jurisdiction on SEAH under the SEAH policy. Mr. de Silva also outlined the capacity-building efforts of the IRM; the IRM had conducted a three-day training for grievance redress mechanisms (GRMs) of DAEs. The IRM was also developing online training materials for the GRMs of DAEs. The IRM Case Management System was now live. The IRM dealt with a case on FP001 (Building the Resilience of Wetlands in the Province of Datem del Marañón, Peru), which was concluded with four undertakings from the Secretariat. Two of these had been completed, and two were under implementation.

119. The Co-Chairs thanked the Head for the report and for the work on FP001.

120. They opened the floor for comments.

121. Several Board members thanked the Head of the IRM for the report and noted the good work that had been done by the unit.

122. A Board member expressed the hope that the IRM would not have many cases and commended the IRM on the work done to increase the capacity of GRMs at the DAE level. They also commended the IRM and Secretariat on the handling of the FP001 case. The procedures for the Board to handle IRM cases needed to be guided by the document governing the arrangements between the COP and GCF. The member noted that the document used to be on the GCF website alongside the Governing Instrument and Rules of Procedure and requested that the Executive Director to ensure it was reinstated. The Head of the IRM agreed that the COP arrangements were important and that the document should be on the GCF website. Mr. de Silva affirmed that the document specifically mentioned that the activities of the IRM must be reported to the UNFCCC. Mr. de Silva also noted that the IRM updated the UNFCCC as part of the Board report to the UNFCCC.

123. Another Board member reminded the Board that the procedures and guidelines for operation were critical and should be presented to the Board for approval as soon as possible. The Head of the IRM clarified that the procedures and guidelines of the IRM had been adopted in February 2019. However, when the Board adopted these, it requested additional guidance for Board members on how to reach decisions when an IRM case report was presented to the Board. This was currently being prepared. The IRM procedures and guidelines had been hailed around the world as one of the cutting-edge documents of its type. The Board member thanked the Head for the clarification and said that they had meant the procedures for considering IRM reports.

124. A third Board member congratulated the IRM on the work it was doing with DAEs. The member said that it was important that IRM staff visit the entities to get a sense of the challenges on the ground. They suggested that some of the training could be conducted in the region or sub-region to get a sense of their challenges. They asked if this was part of the work programme for the IRM, and if not, could it still be added? Mr. de Silva agreed that this was a good suggestion. Next year, the plan was to bring DAEs to GCF Headquarters to get everyone up to a minimum level of knowledge, but the IRM could engage further with them on the ground after this base knowledge had been established.

125. The Co-Chair thanked the Head, noting it was good to see the emphasis on prevention.
126. The report from the IRM was closed.
127. The Co-Chairs thanked all the Heads and the Board members for their comments.
128. Seeing no objections, they took it that the Board wished to note the four reports.
129. The Board took note of document GCF/B.24/Inf.02 titled “Report on the activities of the Independent Redress Mechanism”, document GCF/B.24/Inf.06 titled “Annual Report of the Independent Evaluation Unit for 2019”, document GCF/B.24/Inf.10 titled “Report on the activities of the Information Appeals Panel” and document GCF/B.24/Inf.14 titled “Report on the activities of the Independent Integrity Unit”.
130. No decision was taken under this agenda item.

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

131. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/Inf.15 entitled “Report on the activities of the Co-Chairs” and document GCF/B.24/15/Add.01 titled “Final report of the review of the effectiveness of committees and group established by the Board”, which had been transmitted on a limited distribution basis.
132. This report provided information on the main activities undertaken by the Co-Chairs from B.23 to early November of 2019, including: preparations for B.24; development of the Co-Chairs’ proposal for a four-year Board workplan to be considered at this meeting; addressing decisions without Board meetings; updating the Board on the status of the review of committees, panels and groups; and updating the Board on other mandates given to the Co-Chairs.
133. As part of this report, the latest draft of various documents that the Co-Chairs had been mandated to oversee had been included, namely:
  - (a) The final consultant’s report on the review of the Board committees, panels and groups. The Co-Chairs proposed that the incoming Co-Chairs consult on the recommendations and way forward in order to bring a decision to B.25; this would be reflected in the decision on the workplan under agenda item 11(b);
  - (b) The guidelines for taking decisions without a Board meeting, which would be included in workplan for the next period; and
  - (c) The first draft of the mandated work (relating to balloting) from decision B.23/03, paragraph (d). They also proposed that the incoming Co-Chairs consult on this proposal with a view to bringing a decision to B.25. This would also be included in the workplan.
134. To save time, the Co-Chairs stated that they did not intend to go into further details and opened the floor for any comments.
135. Several Board members took the floor to commend the Co-Chairs for their successful outcome-orientated leadership during what had been an exceptional year that included the first replenishment of the GCF; their wisdom in handling the latter was applauded.
136. One Board member, while noting that they had not consulted with their constituency, proposed that consideration be given to two-year terms for Co-Chairs. Notwithstanding that for the developing country constituency it was the turn of the Asia-Pacific group in 2020, continuity of leadership, particularly in relation to crucial matters such as the development of an updated Strategic Plan, was of great importance.
137. The Co-Chairs thanked the Board member for the observations and said that they would consider how this might be taken up.

138. Another Board member echoed the first member in expressing the hope that, while the current developing country Co-Chair would be replaced in accordance with the rotation to an Asia-Pacific representative, a mechanism be found to retain the current developed country Co-Chair for a second year. The member also commended the current Co-Chairs for being very approachable and for their ability to guide the Board towards consensus decisions. They suggested that under future Co-Chairs sufficient attention be given to embedding this culture in the functioning of the Board by engaging all Board and alternate members in consultations, especially where there were different points of view.

139. A third Board member, noting that the first Board member had commented on matters that related to the Governing Instrument and the Rules of Procedure, raised a separate matter. They reiterated a point (from B.23 under the discussions on Board decision-making in the absence of consensus) that the 47 least developed countries (LDCs) remained in a weak position compared to other powerful constituencies on the Board. Furthermore, it appeared that when the framework was established for the selection of Co-Chairs, the LDCs were forgotten. When allocating Board seats, only one seat had been allocated to LDCs out of 47 countries. As the Board considered other major matters that would affect the GCF going forward, such as the Strategic Plan and the Governing Instrument in relation to the possibility of two-year terms for Co-Chairs, they reiterated that the matter of the status of the Board members representing the most vulnerable countries on the Board should be reconsidered.

140. Regarding the question of consultation, it was essential that Co-Chairs ensured that their constituencies were on the same wavelength. For LDCs, such consultations were challenging in view of poor internet communications, which made face-to-face meetings even more important. In this regard, they underlined the importance of reaching an agreement on a suitable location to hold an informal meeting on the Strategic Plan; this would enable them to make meaningful contributions.

141. The Co-Chairs thanked the Board member and confirmed that the matter of an informal meeting to further consider the Strategic Plan was on the agenda for the following day.

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

143. The Board took note of document GCF/B.24/Inf.15 titled “Report on the activities of the Co-Chairs” and its limited distribution addendum Add.01 titled “Final report of the review of the effectiveness of committees and group established by the Board”.

144. No decision was taken under this agenda item.

## **Agenda item 9: Performance review of the GCF**

145. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/10 titled “Secretariat management response to the Forward-Looking Performance Review of the GCF”. They reminded the Board that the FPR had been presented to the Board at B.23. In decision B.23/06, the Board requested the Secretariat to present a management response to the FPR to the Board at B.24. They invited the Deputy Executive Director, Mr. Javier Manzanares, to introduce the Secretariat management response.

146. Mr. Manzanares expressed appreciation for the recognition in the FPR of the achievements of GCF over the previous four years. The management welcomed the identification of opportunities for GCF to realize greater paradigm-shifting impact for developing countries. He said that work was already underway to address the recommendations of the FPR. Mr. Manzanares outlined key findings and responses in terms of the strategic direction of GCF, its business model performance, the pace of implementation, the strengthening of processes, and policies and governance.

147. The Co-Chairs thanked the Deputy Executive Director for his presentation and opened the floor for comments.

148. Several Board members expressed their appreciation for the management response to the FPR. Two Board members highlighted that the management response largely accepted the FPR recommendations. Another Board member welcomed the opportunity to note the areas where the Secretariat management agreed and disagreed with the FPR. They underlined that ultimately the Board would decide on GCF priorities based on these findings. Several Board members welcomed the fact that the Secretariat had already begun to implement the recommendations. One Board member highlighted the reviews of the RMF and the modalities of the Private Sector Facility (PSF), as well as the development of sectoral programming guidelines. They also underscored the useful recommendations in the FPR on prioritizing projects that promoted paradigm shift, improved the accreditation framework and strengthened the role of the private sector.

149. One Board member drew attention to recommendation 4 of the FPR on the need to clarify the separation of supervision and management. They urged the Board to consider under future agenda items delegating increased authority to the Secretariat. Furthermore, they called for an examination of the delineation of the roles and responsibilities between the Board, the Secretariat and the independent units.

150. Several Board members questioned the recommendation of the FPR to strengthen the role of the private sector in the ecosystem of financial instruments of GCF. One of these Board members reminded the Board that GCF had been established under the UNFCCC as an operating entity of the financial mechanism to assist developing countries in climate change adaptation and mitigation. They noted with concern the emphasis on leveraging private sector finance and providing funding in the form of loans on the basis that this shifted responsibility for climate finance onto developing countries. While the catalysation of private finance was part of the mandate of GCF, it should not become a central focus.

151. Two Board members expressed concerns regarding the increased focus on non-grant instruments in adaptation. While the private sector had a role to play, it could not be a substitute for adaptation grants. Another Board member highlighted that the operating environment was more challenging for private sector firms in some developing countries. Rather than imposing conditions and standards on private businesses operating in these contexts, GCF should provide greater flexibility in order to enable them to achieve results.

152. A further Board member agreed that in many cases it was better to support improvements in the regulatory framework through public finance as a means of encouraging private investment rather than providing direct support to private enterprises. GCF should employ a less rigid approach to the distinction between public and private finance. The same applied to the use of grant and non-grant instruments. In adaptation, for instance, the development of insurance markets might be best achieved by either grant or non-grant modalities. In each case, GCF needed to tailor its approach to the country's needs and aim to maximize impact without restricting access to funding.

153. Two Board members noted with concern the introduction of new concepts by the IEU and the Secretariat that were not contained in the Governing Instrument or in COP guidance. These included the recommendation for GCF to become a "thought leader" in climate finance, as well as notions such as the "theory of change" and the "pursuit of impact". One of these Board members said that the idea of being a "thought leader" stretched the mandate of GCF beyond its focus on climate change mitigation and adaptation. The other Board member emphasized the need to use language that was relevant to constituent countries, especially in view of the upcoming update to NDCs. In this regard, a more positive message would centre on the level of disbursement of GCF funding rather than giving the impression that the organization had shifted its focus.

154. A Board member also underlined the overriding importance of project implementation for developing countries. They stressed that GCF could not afford to have in place policies that hindered the access of countries to funding resources. Another Board member said that future performance reviews should take better account of the political realities and needs of developing countries. Stressing the importance of taking a stepwise approach to policy development, they noted with concern that the review criticized a policy framework that was the result of a painstaking process of negotiation over several years. Underscoring that they did not accept some of the recommendations of the FPR, a further Board member highlighted the need to balance the new and evolving direction of GCF with its key objectives and the update to NDCs. Another Board member called for future performance reviews to base their findings on the expectations and assessments of beneficiaries in developing countries.

155. One Board member said that it was natural for GCF to incorporate new concepts as it evolved, but that these should be calibrated with existing instruments and policies. They noted that small island developing States (SIDS) embraced new ideas and were often at the forefront of innovations on climate action. The Board member welcomed the FPR and the management response as part of a process that GCF had undertaken since its inception.

156. Several Board members highlighted that the FPR and the management response were in line with the mandate of GCF under the Governing Instrument. One noted that the FPR identified opportunities for GCF to deliver on its mandate in the next programming period, for instance in enhancing direct access and in applying investment criteria in order to select impactful projects. Another highlighted that the Governing Instrument required GCF to act as a learning institution that reflected on its ability to deliver impact based on needs and prevailing scientific findings, for instance, through catalysing private finance. A further Board member underscored the value of the FPR and the management response in assessing how far and how fast GCF could go in providing access to its resources and achieving impact on the ground.

157. Two Board members called for GCF policies to be based on needs and not to become ends in themselves. One of these Board members underscored the need to develop a code of conduct for Secretariat staff. They noted with concern that there were cases in which staff members were imposing their own views on the progression of funding proposals. They also said that NDAs should have recourse to the IRM in such cases. Another Board member raised doubts regarding the current approach to obtaining privileges and immunities for GCF staff. They stressed that other organizations benefited from such arrangements on account of their physical presence in developing countries, which GCF did not have.

158. Many Board members commented on the process for considering the recommendations of the FPR and the management response. Stressing that they agreed with certain findings and not with others, one Board member stated that it was not appropriate for the Board to adopt or endorse the FPR or the management response wholesale but rather to take up the individual issues raised under other agenda items. Another Board member said that the responses to the review and the interactions between the Secretariat and the Board were a continuous process. A further Board member expressed the view that both the FPR and the management response should have been considered by the Board before the updated Strategic Plan had been drafted. The latter already included many recommendations of the FPR.

159. A number of Board members welcomed the opportunity to consider the document and stressed that it would provide a basis for further discussions of the Strategic Plan. One Board member said that the Board was not required to approve all the recommendations of the FPR. Another reminded the Board that the findings and recommendations of the FPR had already been noted in decision B.23/06. A further Board member stressed that the FPR did not propose a radical new departure for GCF but provided strategic guidance. They said that the Board should meet outside the formal Board meetings to address some of the differing views. One Board member said that they looked forward to seeing the priorities outlined in the document incorporated into the Strategic Plan, which they hoped would be adopted at B.25.

160. The active observer for CSOs noted their concern at the Secretariat's response to FPR finding 2.2, which stated that the role and participation of CSOs and indigenous peoples was ensured through consultations done during project design and implementation. The observer underlined that there remained significant room for improvement in this regard and hailed discussions on the Strategic Plan as an opportunity to reaffirm the commitment of GCF to participatory processes in all activities. In addition, the observer called on GCF to adopt a more expansive definition of risk. This should not just be about programming larger quantities of less concessional financing but also include working with vulnerable actors who were unable to access finance because other entities saw them as too risky. Finally, the observer urged the Board to commission either the Secretariat or the IEU to identify any contradictions and overlapping mandates in the existing policy framework and to explore solutions in order to enhance GCF effectiveness.

161. The Deputy Executive Director thanked the Board members for their comments. He stressed the value of increasing non-grant financing for adaptation on the basis that it was revenue-generating and would spur growth and improvements. Similarly, co-financing helped crowd-in financing for developing countries. Mr. Manzanares noted the importance of delineating responsibilities, in particular with regard to the independent units. Regarding disbursements, he reminded the Board that USD 3.2 billion was already under implementation, which meant that the projects in question had effective FAAs and could proceed to disbursement. Total current disbursement was at USD 750 million. He underlined that GCF was a partnership institution and that progress on disbursement was therefore dependent on the actions and priorities of AEs and whether project beneficiaries were compliant with the terms of grant or loan agreements. He further noted the need to align new concepts with the mandate and objectives of GCF under the UNFCCC, the Paris Agreement and the Governing Instrument. Finally, he acknowledged that there was room for improvement in the involvement of CSOs, including on concept note design.

162. The Head of the IEU underlined that the UNFCCC, the Paris Agreement and the Governing Instrument were incontrovertible and taken as the starting point for the FPR. The review engaged closely with a broad range of views in an attempt to better understand how GCF could deliver impact for developing countries in ways that were faster, better and smarter. The IEU welcomed the advice of the Board on how to improve future performance reviews.

163. The Co-Chairs thanked the Board for the very helpful exchange of views. They informed the Board that they would prepare a draft decision to note the management response and would return to the agenda item later in the meeting.

164. The item was suspended.

165. The Co-Chairs re-opened the item on the final day of the meeting. They noted that a draft decision had been circulated to the Board for its consideration. They opened the floor for comments.

166. A Board member voiced concerns regarding paragraph (c) of the decision, which stated that the Board would further consider the findings and recommendations in the FPR and the Secretariat management response in its deliberations on the Strategic Plan and in other agenda items. The Board member stressed that there was no general agreement among the Board regarding the FPR. The decision text therefore prejudged the nature of future strategic discussions of the Board.

167. The Co-Chairs said that the current wording did not compel the Board to adopt a particular position regarding the review.

168. The Board member said that the Board's strategic discussions should not be confined to a consideration of the FPR. The Board member did not support the review, much of the content of which was already contained in the draft of the Strategic Plan. They said that GCF needed a

retrospective review that considered its achievements and the challenges encountered. The forward-looking approach sought to change the direction of GCF. This approach had not been approved by the Board.

169. After consulting with the Secretariat, the Co-Chairs confirmed that the phrase “forward-looking” had not been used in the Board decision commissioning the review. They therefore proposed referring to the FPR in the decision text as the “performance review”. They further proposed adding the phrase “inter alia” to paragraph (c) in order to indicate that the Board would not be limited to considering any particular source in its strategic discussions.

170. With regard to the use of the phrase “forward-looking”, another Board member noted with concern that the FPR and the draft updated Strategic Plan therefore contained misleading information. They said that the current decision should include a request to amend all references to the FPR so that these could be traced back to the original commissioning decision.

171. The Co-Chairs stressed that while the authors of the FPR had given it a name that was not contained in the original decision this did not call into question the validity of its content. The Secretariat was now aware of the issue and there was no possibility of confusion as a result of the existing references. They invited the Board to adopt the decision.

172. The Board took note of document GCF/B.24/10 titled “Secretariat management response to the Forward-Looking Performance Review of the GCF”.

173. The Board adopted the following decision:

*DECISION B.24/01*

*The Board, having considered document GCF/B.24/10 titled "Secretariat management response to the Forward-Looking Performance Review of the GCF" and document GCF/B.23/20 titled "Forward-Looking Performance Review of the GCF":*

- (a) Recalls decision B.23/06, paragraphs (b), (c) and (d);*
- (b) Takes note of the Secretariat management response to the Forward-Looking Performance Review of the GCF in document GCF/B.24/10; and*
- (c) Decides to further consider, inter alia, the performance review and the management response within its deliberations on the Strategic Plan for the GCF 2020–2023 and other future Board agenda items, as appropriate.*

## **Agenda item 10: Matters related to the first formal replenishment of the GCF**

### **(a) Report from the replenishment process**

174. The Co-Chairs opened the agenda subitem, noting that the "Summation by the Global Facilitator – First Replenishment of the Green Climate Fund – High-Level Pledging Conference", which had taken place on 24–25 October in Paris, France, had been transmitted to the Board on 29 October 2019. They invited the Global Facilitator for the first replenishment process, Mr. Johannes Linn, to present his oral report on the process and expressed sincere thanks for all his efforts to help ensure that the first replenishment was a success.

175. Mr. Linn thanked Board members for the opportunity to serve as the Global Facilitator for the first replenishment of GCF, noting it had been a great honour. Mr. Linn then summarized the outcomes of the process per the summation document transmitted to the Board.

176. Following the presentation, Board members expressed their warm appreciation to Mr. Linn through a round of applause.

177. The Co-Chairs noted that the applause spoke for itself and acknowledged the grace with which Mr. Linn had undertaken his vital work. They opened the floor to Board members who had represented the Board during replenishment meetings.

178. In the ensuing interventions from the group of Board replenishment representatives, there was widespread praise for the work of the Global Facilitator. In particular, they noted the professional and positive way in which the process had been handled; the leadership had been instrumental in achieving a strong result.

179. Thanks were also expressed to the Secretariat under the leadership of the Executive Director, Mr. Glemarec, and to Canada, France, Germany and Norway, which had generously hosted meetings.

180. Several Board representatives expressed thanks to the 27 countries that had made pledges totalling almost USD 9.78 billion during the replenishment process and to those that had doubled their pledges in their national currencies compared to the initial resource mobilization period. Those contributors that had made their pledges in grants were also highlighted. A Board member expressed specific appreciation to countries that had "stepped up to the plate" in doubling their pledges versus the initial resource mobilization, despite their own fiscal challenges. If those that had doubled their pledges had not done so, GCF would have achieved a loss compared to the initial resource mobilization. This demonstrated a recognition by those developed countries of the climate emergency and urgency to support particularly

vulnerable countries, including LDCs, SIDS and African States. Another Board member representative noted that the replenishment process had demonstrated a capacity for everyone to work effectively together in a collective or “Oslo” spirit. The member expressed the hope that this would also feed into the work of the Board going forward. The package of documents before the Board was key in moving forward and would be a major input in updating the Strategic Plan. Now that GCF had the resources, it had to show it could be efficient with these to realize the vision of GCF; this was a collective task.

181. It was noted by a number of Board representatives that, despite the increase versus the initial resource mobilization, the figures were far from meeting the needs of developing countries, which were in the trillions. They were also far from the USD 100 billion target for 2020. It was also far from the potential of contributor countries that had gross domestic products in the trillions or hundreds of billions and from the ambition set out in the Paris Agreement for 2020 and from the capacity of the GCF to deliver. To meet the adaptation and mitigation challenges under NDCs, these needed to be matched with appropriate finance otherwise there was a mismatch between what developing countries were being asked to do and the finance available; if NDC ambitions were to be increased in 2020 this would require increased financial support.

182. Two Board representatives invited developed countries that had not pledged to do so in order to meet their obligations under the UNFCCC, with as much pledged as possible in grants, and to emulate those that had doubled their pledges compared to the initial resource mobilization.

183. One Board representative opined that it was important to be factually correct when describing the results achieved. In relation to the initial resource mobilization, GCF had a commitment<sup>1</sup> of USD 10.3 billion and not USD 7.2 billion; this also took account of the foreign exchange rate.

184. A Board member who had not been part of the Board’s group of replenishment representatives welcomed the Global Facilitator’s report and the results of the pledging. During the past year the Board had discussed the direction for GCF, the strengthening of the Secretariat and the expected results for the first formal replenishment period of the GCF (GCF-1). This was based on the principle of country drivenness. As such, it was necessary to implement climate change measures that were greatly needed in developing countries to realize a paradigm shift in economies and to build societies that were resilient to climate change. The Board member stated that they endorsed the report.

185. Another Board member who had not been part of the Board’s representative group, as well as expressing appreciation to the countries that had pledged, and while noting that this was still far from meeting the needs for finance, also highlighted that the Earth was suffering a fever because of the historical accumulation of emissions that needed to be urgently treated.

186. The Co-Chairs thanked all those Board member representatives who had supported the process during the past year. They invited the active observer for CSOs to take the floor.

187. The active observer expressed deep appreciation for the huge amount of hard work that had been undertaken to raise the nearly USD 10 billion and the significant increase in amounts by some contributors compared to their pledges in the initial resource mobilization. While acknowledging that GCF was only part of global climate change finance efforts, they wished to reiterate that developed countries were very far from the USD 100 billion a year target by 2020 per the Copenhagen commitment, and the minimum USD 100 billion per year by 2025 per the Paris Agreement. Furthermore, they stated that this was staggeringly low compared to the actual requirements of equity, fair shares and keeping temperature rises below 1.5 °C. The observer specifically challenged those developed countries that had not provided any

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<sup>1</sup> The total amount pledged during the initial resource mobilization was USD 10.3 billion equivalent.

contributions to GCF or that had only contributed very small amounts compared to their fair share under their climate finance obligations.

188. The Co-Chairs thanked the observer for their comments and asked the Board if they wished to take note of the report.

189. Hearing no further comments and no objections, the Board duly took note of the “Summation by the Global Facilitator – First Replenishment of the Green Climate Fund – High-Level Pledging Conference”.

## (b) Consideration and endorsement of the outcomes of the first formal replenishment process

190. The Co-Chairs opened this agenda subitem, noting that, as reflected in their transmittal message on the Replenishment Summary Report, they had consulted with Board members on how the Board should consider the original mandate, which was to “endorse the outcomes” of the process. A document was being circulated for an “in principle” reading of the matters that had been consulted in recent days and weeks. There was one item pending resolution in the coming hours, namely, how to express the value of the replenishment. In line with their “no surprises” policy, it was the intention of the Co-Chairs that the Board would be able to consider the document overnight prior to a decision the following day. They also highlighted an editorial error in the updated Policy for Contributions, which talked about a “trigger for the first replenishment” when it should have said the “trigger for subsequent replenishments”. This had been corrected in the copy of the policy, which would be attached to the draft decision.

191. The Co-Chairs then explained paragraphs (a)–(h) in the draft decision.

192. They adjourned the item.

193. On the final day of the Board meeting they reopened the agenda subitem noting that the changes to the earlier version of document GCF/B.24/11 were shown in blue. In paragraph (c), the value of the replenishment was now expressed differently as special drawing rights equivalent.

194. An editorial error had been corrected in paragraph (f), so that it now read “approves the updated Policy for Contributions” where “Policy” was now singular, not plural.

195. In paragraph (g), there was a material change (i.e. “agrees to take up” and “further consider” the recommendations of the Replenishment Summary Report), which now reflected the verb used in the original commissioning decision.

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

197. In the ensuing discussion, there was considerable focus on the change to paragraphs (g) and (f). Concerns were expressed that “take up” (the language used in paragraph (g) and “reflect” the language used in paragraph (h) seemed to imply that this would necessitate a review of existing policies. Furthermore, a Board member wondered how the Secretariat could “reflect” on recommendations of the Replenishment Summary Report when the Board had not considered the concepts therein. They requested the deletion of paragraph (h) and the phrasal verb “take up” in (g).

198. Another Board member said it did not make sense to have recommendations and not consider them; they existed and should be considered. A further Board member suggested that paragraph (h) was open-ended as it did not specify a deadline such as a specific Board meeting. They postulated that the intention was that, in developing the updated Strategic Plan, the Board would take into account the recommendations in a process that then concluded the matter.

199. The Co-Chairs reassured the Board member that this was not the intention as past policy decisions could not be revisited. The recommendations only related to any future policy consideration or review. “Take up” was chosen to convey a clear sense that the Board intended to do these things rather than to merely “consider” them. It conveyed a sense of proactivity on the Board’s behalf and was important for those Board members whose governments had made contributions and recommendations. In no way did it deprecate the power of the Board. The verb “reflect” was to ensure that the Secretariat looked at all sources, but it did not prejudice what the Board would do with the document presented. This aimed to avoid a situation where the Secretariat presented a document and was then asked: “Why didn’t you take account of x or y policy?”

200. The Board member who had requested deletion of “take up” and paragraph (h) wished that the assurance given by the Co-Chairs (that the decision in no way implied a retrospective review of existing policies) be put on record.

201. Various proposals were made in relation to paragraph (g) including “the Board intends to further consider”, “agrees to take up and further consider”, “agrees to put forward for further consideration”, “agrees that it will consider” and “the Board agrees to consider”.

202. It was agreed to use the following: “Agrees that it will consider the recommendations in the Replenishment Summary Report ... its workplan”.

203. The Board adopted the following decision.

#### *DECISION B.24/02*

*The Board, having considered document GCF/B.24/11 titled “GCF First Replenishment (GCF-1): Replenishment Summary Report”:*

- (a) Welcomes the successful conclusion of the first formal replenishment process of the GCF, as mandated by Board decision B.21/18;*
- (b) Expresses its appreciation to the group of Board members and alternate members who represented the Board and the GCF and actively engaged in the replenishment process;*
- (c) Welcomes the pledges made by 28 contributors totalling USD 9.66 billion (SDR 6.97 billion) equivalent (as of 14 November 2019), and the credit earned due to early payment encashment, which brings the outcome of the pledging session to USD 9.78 billion (SDR 7.05 billion) equivalent;*
- (d) Encourages further pledges and/or contributions during the replenishment period, in accordance with decision B.21/18;*
- (e) Also encourages contributing countries to confirm their pledges to the GCF in the form of fully executed contribution agreements/arrangements as soon as possible;*
- (f) Approves the updated Policy for Contributions, as contained in annex I of this document;*
- (g) Agrees that it will consider the recommendations in the “Replenishment Summary Report” (document GCF/B.24/11) during its development of the updated Strategic Plan and other items on its workplan; and*
- (h) Requests the Secretariat, in light of paragraph (g) above, to reflect these recommendations in its preparation of relevant documentation for Board consideration.*

### **Agenda item 11: Strategic planning for 2020 – 2023**

- (a) Update to the Strategic Plan of the GCF**

204. The Co-Chairs opened the agenda subitem and explained that the purpose was to hear further views from the Board on the draft Strategic Plan with reference to document GCF/B.24/Inf.01 titled “The Strategic Plan for the GCF: 2020–2023”. This would enable the Co-Chairs, with the support of the Secretariat, to prepare a procedural decision so that the updated Strategic Plan for GCF-1 could be presented for approval by the Board at B.25. They reminded Board members that when the Board had launched the replenishment process at B.21, the Board had reiterated its intention to review the initial Strategic Plan and invited submissions from Board and alternate members on the initial Strategic Plan. At B.22, having considered the report on the implementation of the initial Strategic Plan and submissions received, the Board then requested the Secretariat, under the guidance of the Co-Chairs, to produce an update at B.24 and invited NDAs, AEs and observers to submit inputs. The Co-Chairs noted with pleasure that the call was heard and 77 submissions on the draft updated Strategic Plan were received. These would further inform discussions at B.24.

205. At the Board’s informal meeting on Monday, 11 November 2019, the Board held further discussions on the updated Strategic Plan. In that meeting, the Secretariat presented three main components of the draft: (i) the overall approach and vision; (ii) proposed programming to give expression to that vision; and (iii) an action plan to evolve the GCF business model and operating modalities to deliver that vision.

206. Before preparing a draft procedural decision, the Co-Chairs opened the floor for comments.

## Part 1

207. Seventeen Board and alternate members took the floor to provide comments along with active observers from both civil society and the private sector. There was widespread support for the document, which some described as a “zero draft”, as a very good basis for further discussion.

208. Several Board members underlined the backdrop to the work of GCF, namely the latest scientific findings on climate change and the fact that under the Paris Agreement, countries were required to present their post-2020 NDCs. Others emphasised the urgency of initiating transformational changes as the impacts of climate change were being felt everywhere. Greenhouse gas emissions needed to be capped by 40 per cent by 2030 – in just 10 years’ time – to remain below the 1.5 °C target with societies achieving carbon neutrality by 2050; incremental steps were not sufficient. One noted that GCF had a mandate for and the potential to support the paradigm shift necessary to drive institutional transformation, innovation, mobilization and knowledge, fostering systematic shifts in finance towards zero-emission, climate-resilient development pathways. They opined that the Strategic Plan should enable GCF to become the centre of gravity for international climate financing and a global role model for international climate action. Others noted that the draft firmly rooted GCF within the UNFCCC, the Governing Instrument and the Paris Agreement; this would enable it to grow to meet the changing needs of developing countries in meeting the challenges of climate change. GCF had a major role to play in supporting resilience, particularly in relation to vulnerable communities where capacities and capabilities were low. Another commended the direction proposed for GCF-1, including the eight key results areas and outcomes.

209. A number of Board members expressed satisfaction that the updated Strategic Plan underlined the overarching importance of country ownership for GCF; in this regard the updated Strategic Plan was being developed through a process that involved carefully listening to the views of developing countries. However, more attention needed to be paid to DAEs. Currently 80 per cent of projects were from international access entities; the updated Strategic Plan needed to strategically address this shortfall through readiness support.

210. A wide range of comments were made on specific elements of the updated Strategic Plan.

211. A Board member said that the vision that had been discussed at the informal meeting on 11 November was appropriate and suggested further amendments under the broader heading of “efforts towards low emissions and climate resilience in the context of sustainable development”. They highlighted:

- (a) Building of lasting institutional capacities for developing countries, including for DAEs, which was especially important to LDCs;
- (b) Strengthening of support for implementation of NDCs, national adaptation programmes of action, national adaptation plan (NAPs), technical needs assessments and nationally appropriate mitigation action (NAMAs) in developing countries;
- (c) Increasing the floor of adaptation allocation for the most vulnerable and increasing the funding channelled through DAEs;
- (d) The importance of the continued effort to continue balancing adaptation and mitigation and promoting greater transparency;
- (e) The plan needed to include a strategy for promoting the accreditation of DAEs, specifically in LDCs, and the scaling up of post-accreditation support;
- (f) The emphasis in the updated Strategic Plan on ensuring predictable resources for readiness as well as streamlining accreditation, operationalization of the PSAA and scaling up of the Project Preparation Facility (PPF);
- (g) The continuation of efforts to ensure efficiency and effectiveness of allocation processes and speed of delivery, and ensuring that the SAP was simple and effective; and
- (h) In relation to the draft decision, it referenced leveraging more private sector finance along with leveraging targets. This proposal needed to be discussed further.

212. Another Board member opined that the Strategic Plan needed to take account of the initial resource mobilization experience in the execution of projects. They noted that during the initial resource mobilization there had been complaints that GCF projects were “plain vanilla” because they did not have additional elements. This related to the fact that GCF had not been implementing paragraph 30 of the UNFCCC that related to technology. What technologies had the Board promoted? There had been some climate-related early warning systems and a technology project in Chile, but much more was needed. A huge area of potential related to electro-mobility existed. A company in Denmark was assuming the risk of installing recharging stations in six countries, which would stimulate the switch to electric vehicles. Would developing countries be left out of this? Secondly, negative ionization technology was something that should be considered. Experiments had been conducted in Jordan, which showed promise for the dry corridors of central America, the Sahel and other areas. GCF needed to look into what technologies it should support.

213. Secondly, the Board member highlighted the importance of reducing time taken to process projects by combining accreditation and project approval. The web-based tracking system would enable Secretariat managers to take action to address blockages in the system.

214. A further area of strategic focus should be to develop vulnerability policies. In addition to LDCs, SIDS and African States, the following are all highly vulnerable to climate change and should be supported: Central America and the Caribbean; the Indus and Ganges of South Asia; South East Asia, including Viet Nam and South East China; and the Philippines, where the island of Luzon suffered 15 tropical storms a year. Direct access and SAP projects could help in this regard.

215. In terms of private sector finance, while GCF had grants and concessional loans, its use of equity investments and guarantees was at a minimal level. GCF needed to be using these more extensively to leverage and help the most vulnerable, particularly through guarantees for projects that would otherwise not take place if not guaranteed by GCF. This would allow the private sector to be more involved.

216. Finally, they asked if the Board was happy to remain a USD 10 billion fund forever. Why could it not be a USD 100 billion fund or a USD 500 billion fund? This was not impossible. To move in that direction, the Board member noted that the big money was with institutional investors: the pension and insurance investment funds. They should be encouraged to channel their funds through GCF, which offered all the guarantees of redress, integrity, ethics and good management that they required. These funds liked long-term projects because their commitments were long term and GCF support for forests fell into this category.

217. The following areas were highlighted by another Board member:

- (a) The role of GCF and added value needed to be clarified in relation to other climate financing channels, including bilateral actors, and areas of synergy developed;
- (b) Focus on developing GCF into a knowledge hub in the climate finance landscape. A greater priority should be given to the role of GCF in leveraging and mobilizing funding, not least from the private sector. Its ability to shift international financial flows should be increased substantially;
- (c) As well as developing its own thematic expertise, GCF should also strengthen expertise in thematic areas through its network; the strategy needed to be further developed in this regard;
- (d) In the eight thematic areas proposed, greater prominence should be given to the climate change-oceans-biodiversity nexus; energy efficiency should be strengthened further; and
- (e) Measures to improve the efficiency of the Board and increased delegation to the Secretariat should be given higher priority.

218. Finally, the structure of the updated Strategic Plan would be vastly improved if it was built on the proposed structure of the integrated resources and results framework (IRRF) presented in annex III of the Strategic Plan and if it sought to integrate the defined principles in annex III into the theory of change described in section 3.2 of the Strategic Plan.

219. Another Board member noted three points:

- (a) In relation to the overarching importance of country ownership for GCF, more attention should be paid to DAEs as 80 per cent of projects were with international entities. In this regard, there was a need to provide sufficient resources and a strategic way of looking at readiness and preparatory support;
- (b) Linked to country ownership, GCF should take the lead in providing science-based sectoral advice to strengthen its programming, as it was prohibitively costly for any one single country to go it alone, especially from the LDCs, SIDS and African States, to collect or develop the knowledge they required. The Canadian Government had been pleased to host a sectoral event (on climate change, agriculture and food systems) during the summer; and
- (c) The Strategic Plan needed to be “strategic”. Since demand outstripped supply for the limited resources of GCF, choices had to be made. A “first-come, first-served” approach was not appropriate and GCF needed to do far better in ensuring its choices were truly strategic in developing its pipeline.

220. Having a Strategic Plan that was sufficiently flexible to reflect potential policy changes in the following four years was highlighted by another Board member. They suggested that consideration be given to the creation of a separate unit within the Secretariat to manage the implementation of the Strategic Plan. A system could be set up to review annual progress and this would help sharpen the comparative advantage of GCF.

221. There needed to be an appropriate balance between country ownership/country priorities and leadership by GCF. GCF should look for projects that could shift the political paradigm of the countries concerned. Direct investments through the PSF could help in this regard. Furthermore, there could be a country relationship unit instead of regional offices, which would be costly, and new technologies could be used to communicate with countries in real time.

222. Finally, the Board member suggested that ways needed to be found to share practical information to help build country capacities. GCF could choose model projects for different areas and create videos to publish online to transmit this information. It would be useful to have an online platform that would facilitate countries to communicate their issues directly to the Secretariat, AEs, NDAs and other stakeholders.

223. Another Board member welcomed the draft updated Strategic Plan and the proposal to have a structured informal meeting to develop it further. They presented further remarks:

- (a) In terms of programming directions under the eight different key areas for action, they cautioned against being too detailed and prescriptive. This risked limiting the freedom of action for GCF and of not taking sufficient account of domestic priorities and contexts. For example, in the area of energy, the Strategic Plan referred to the electricity sector: hydro, wind or solar. While these were globally mature technologies, there were national priorities in some Latin American countries and other regions that needed to be considered. GCF might also prioritize action in other energy areas such as bioenergy and biofuels, as investments in modern bioenergy were lagging behind. These included aviation and marine biofuels. This was an area highlighted by the Intergovernmental Panel on Climate Change (IPCC). They recommended that the key areas be broadened;
- (b) They noted that paragraph 27(d) of the strategic goals (section 1.6 of the updated Strategic Plan) established an aim for a floor of 70 per cent of adaptation allocation for particularly vulnerable countries using initial resource mobilization levels as a benchmark. They said this was not in line with the UNFCCC or Paris Agreement or paragraph 52 of the Governing Instrument. They proposed that the language using text from the Governing Instrument and decision B.06/06 to “aim for a floor of fifty per cent of the adaptation allocation for particularly vulnerable countries” should be reinstated; and
- (c) Also, with reference to paragraph 27(g) of the strategic goals (section 1.6), they did not support the setting of specific targets for co-financing from private sector investments, as this was not in line with the spirit of the co-financing policy that was expected to be approved at B.24.

224. As well as expressing support for the zero draft and the vision articulated, a Board member commended the selection of the four key enablers. However, for the Board member, the updated Strategic Plan needed a clear “North”, which was the urgency of climate action as highlighted at the United Nations Secretary-General’s Climate Summit.

225. Therefore, GCF should support developing countries’ ambition in implementing the goals of Article 2 of the Paris Agreement. Country programming should promote countries’ increasing ambition to enhance NDCs within the NDC cycle and incentivize programming, going beyond “business-as-usual”. The key question was how to do it and how to encourage countries to present the most ambitious and impactful projects and allow for informed risk-taking;

sharpened investment criteria regarding impact and ambition should help the Board to select countries' projects enhancing impact in NDC ambition. A further discussion was needed in the Board on how to align the need for scaled-up ambition at the global level with country-driven programming. To save time, they said that they would limit their intervention and submit further details in a two-page document to the Secretariat.

226. A Board member requested that this be circulated to the Board, which was confirmed by the Co-Chairs.

227. Another Board member opined that the updated Strategic Plan was a really good start and they wished to see more specific actions around collaboration with other global financial institutions also supporting paradigm-shifting outcomes. They noted five further points:

- (a) There needed to be increased attention to vulnerable countries across all eight results areas where possible;
- (b) Country ownership was critical, NDCs were at the heart of this process and country governance was crucial. There needed to be an inclusive process in formulating plans and projects;
- (c) The private sector was of utmost importance, especially for adaptation and resilience programmes; as mentioned in the Strategic Plan, PSAG should play a critical role in scaling up adaptation;
- (d) In terms of SAP, this would be increasingly important as the portfolio matured. One option to facilitate this and to provide more strategic guidance on concept notes and programmes would be to introduce the two-stage approval process at the earliest opportunity; a cost-benefit analysis of this should be done as soon as possible;
- (e) It was critical to get the relationship between the updated Strategic Plan, the IRRF and the RMF right; this was not clear in the draft document;
- (f) They welcomed the design of the IRRF but had some concerns about how it would be implemented;
- (g) The results/impact areas needed to be more balanced. With reference to forestry, land use and ecosystems, they wished to see the inclusion of indicators to monitor climate co-benefits, such as oceans and biodiversity; and
- (h) Lastly, they said it was clearly important to show actual results from the GCF investments.

228. Another Board member wished to briefly expand on their remarks regarding the updated Strategic Plan at the informal meeting. They stated that the updated Strategic Plan should:

- (a) Distinguish between strategic choices and operational priorities and move some material into annexes;
- (b) Include strong definitions for climate rationale and paradigm shift;
- (c) Strengthen the link between GCF interventions and NDCs in the context of country ownership;
- (d) Strengthen the focus on biodiversity-nature-based solutions and link climate-related solutions to the avoidance of biodiversity losses;
- (e) Elaborate on the private sector work and get PSAA adopted; streamlined accreditation was key for the private sector as highlighted by Board members and PSAG;
- (f) GCF should focus more on oceans and ocean states; and
- (g) Strengthen cooperation with other climate funds.

229. In terms of the reference by another Board member to a “strategic North”, this Board member opined that this was meant to simplify; simplification should be the guiding principle of the Strategic Plan and GCF procedures.

230. They informed the Co-Chairs that they would submit further comments in writing in the coming weeks.

231. Taking a longer view was a point emphasized by another Board member. Over the period 2020–2030 there would be three NDC cycles with ambition increasing from one to the next. At the same time, GCF would have three replenishment cycles. They urged that there be a stronger alignment between the two processes. They opined that the GCF vision should not be limited to four years. The focus should be on what difference GCF could make with what level of funding over what time period. How much was GCF able to commit and disburse over a given time period?

232. With reference to adaptation, they noted the concern for Africa was that, despite a mandate to clarify support for adaptation, little progress had been made. They proposed a multi-faceted approach to adaptation. The updated Strategic Plan should clarify the mandated support of GCF for adaptation at B.25. The Board should address how it would respond to needs outlined in communications from Parties and their NDCs, and an adaptation strategy should be developed.

233. They also confirmed that they would submit further comments in writing.

234. Another Board member echoed the relationship between NDCs and the role of GCF. In the same way as countries were required to progressively increase their ambition, GCF must respond accordingly and in keeping with the latest science. While remaining faithful to the Governing Instrument, the Paris Agreement and the UNFCCC, GCF should not be fearful of innovation.

235. GCF needed to simplify and streamline its procedures and SAP was key, although only one element in this regard.

236. Furthermore, in keeping with the climate crisis, it was vital that pledges were urgently converted into finalized contribution agreements and then those funds disbursed rapidly without adding extra burdens to developing countries, especially SIDS, LDCs and African States. These views were shared by another Board member.

237. Echoing other Board members, another Board member urged GCF to give more attention, particularly in the most vulnerable countries, to adaptation as well as balanced financial support for both adaptation and mitigation. Furthermore, developing country needs and ownership should be fully respected in selecting and implementing projects.

238. They highlighted the importance of knowledge and experience-sharing as integral to capacity-building. Given that developing countries at similar stages of development had developed technologies relevant to their circumstances, GCF should support South–South knowledge cooperation and sharing as a platform. It should also build itself as a platform for tripartite cooperation.

239. The Board member also supported further efforts to improve operational effectiveness and efficiency of GCF and to accelerate decision-making.

240. Another Board member said they would join others in sending more detailed written comments. They briefly wished to highlight a few points:

- (a) They supported an approach to programming that extended the engagement of GCF in agriculture and food security; agriculture had a great potential to address both adaptation and mitigation;

- (b) Regarding the strategic goals, they supported stronger engagement in adaptation and support for particularly vulnerable countries;
  - (c) On galvanizing improved access, they agreed with the need to stabilize the network of AEs and develop a more strategic approach to accreditation; and
  - (d) Finally, they supported the operationalization of the PSAA.
241. Five brief points were made by another Board member with reference to further developing the draft updated Strategic Plan:
- (a) The core elements needed to be right, including country ownership at the centre of the vision;
  - (b) There was a need to maintain initial resource mobilization performance and improve impacts;
  - (c) The GCF should continue to support the most vulnerable countries;
  - (d) The GCF should work in a meaningful way with the private sector as per the Governing Instrument; and
  - (e) There was a need to enhance key policies and processes; accreditation was key in this regard.
242. They stated that they would send more detailed written comments to the Secretariat.
243. Another Board member thanked the Secretariat for the document, which represented a lot of thought and effort and synthesized many good ideas. They underlined the importance of the Strategic Plan as it would enable GCF to fulfil its potential. They echoed comments by others on the urgency of supporting countries most at risk. In programming a balanced portfolio, the updated Strategic Plan needed to enable efforts to ensure these countries benefited, for example through: (a) simplifying SAP so that it really was simple; (b) removing duplication in the accreditation processes and differentiating between entity types; (c) galvanizing increased access to GCF resources with longer term access to readiness funding; and (d) enabling innovation and impact through programmatic approaches. They were pleased to see the increased focus on results management.
244. A core message from another Board member was that GCF should remain a public fund focusing on grants and concessional loans. The role of the private sector should be at a minimum. Climate finance should not be shifted to developing countries via the private sector; all GCF mandates should be derived from the UNFCCC and the COP. With reference to remarks by other Board members regarding 1.5 °C, this was a problem for developed countries to solve. The mandate for developing countries was to adapt and enhance their resilience and mitigate greenhouse gases on a voluntary basis. Developed countries had the capacity, technology and economic strength to take action. Much of the emissions in the atmosphere were their historic responsibility and there needed to be space for developing countries to develop.
245. They opined that the document was academic. They did not subscribe to the scenarios presented as “upper frontier” or “pursuit of impact”, nor to the FPR. They proposed that the next Board meeting concentrate solely on funding proposals and the Strategic Plan, or alternatively that the Board hold an informal meeting to develop the Strategic Plan.
246. The Co-Chairs invited the active observer for CSOs to take the floor.
247. The active observer acknowledged the substantial progress that had been made in drafting the Strategic Plan. It was intended to make actionable the commitments made by countries to replenish GCF in recent weeks. The CSOs collectively and individually submitted substantive comments on the Strategic Plan during an initial call for submissions in early 2019. While they had seen some of them reflected, many of their other core recommendations had not

been incorporated. Those centred in particular on what needed improvement during GCF-1 to make GCF a transformative fund with a human rights-centred approach that put people over profits, addressed the needs and concerns of those most vulnerable to and least responsible for the climate crisis and defined impacts qualitatively as well as quantitatively; this is thus much broader than financing leveraged or tonnes of carbon dioxide equivalent (tCO<sub>2</sub>eq) reduced.

248. The Strategic Plan was an essential document for the functioning of GCF, and they looked forward to continuing to engage constructively as it developed further. Noting that the document had a number of cross-dependencies with other ongoing agenda items, they said that their primary comments would be focused on process as well as on items of content, which would not be discussed at other times during this Board meeting.

### **On process**

249. The CSO noted that they understood from the Secretariat that, pending a Board mandate, there may be an additional call for inputs to develop the next iteration of the updated Strategic Plan. They urged the Board to agree on a process for updating and finalizing the Strategic Plan that provided adequate opportunity for CSOs to participate in the discussions and have their views thoughtfully considered for the next iteration of the Strategic Plan. This should include an additional call for inputs and would ideally also include an opportunity for direct interaction, such as workshops with civil society or webinars.

250. CSOs recognized that this process was still undergoing development and contended that updating the Strategic Plan was far too important to proceed without a transparent, inclusive process in the coming months that took into account the perspectives of civil society, indigenous peoples and local communities. Likewise, as this process would be proceeding in parallel to the development of other relevant key documents like the various sectoral strategies and the revision of elements of the investment framework, those should follow similar participatory processes.

### **On content**

251. Given the other CSO interventions on the accreditation framework, the work programme of the Secretariat and the workplan of the Board, the observer said that they would limit their remarks to a few items. The absence of a comment on these other issues should not be interpreted as assent.

252. Firstly, and most critically, they expressed concern about a shift in the document versus previous earlier drafts to downgrade the commitment to address gender and the needs of vulnerable people, indigenous peoples and local communities to one only deserving of the "operational sensitivity" of the GCF but not its "responsiveness". Sensitivity implied only the awareness of the need to act while responsiveness entailed the commitment of GCF to mainstream those needs across its modalities, processes and practices with concrete actions, not just intent. Unquestionably, this was needed in order for GCF to be the best practice leader in climate finance it strove to be in its next operating phase.

253. Secondly, and equally concerning, the draft plan identified as one key action for improved decision-making the development of guidelines for the "selection of active observers". They wished to stress that the civil society observers had existing internal and participatory processes to select their active observers, who were tasked with voicing their views in the Boardroom on behalf of the wider CSO community. The principle of self-determination of who should represent CSOs needed to be respected by GCF. Furthermore, they expected that any guidance on their participation protected CSO independence and strove to open more spaces for their effective engagement in GCF processes and operations.

254. Thirdly, while appreciating the proposal to ensure “active involvement and empowerment of communities, micro and small enterprises, community-based organizations and local governments”, they wished to stress emphatically that this was insufficient and that far more was needed to ensure significant participation from civil society, indigenous peoples and local communities. This was in line with views they had expressed in the past that “country ownership” was not synonymous with “government ownership”, a finding that they now saw was confirmed in the IEU evaluation of current country ownership. They hoped to see this principle reflected more clearly and ambitiously in the new iteration of the Strategic Plan, both in the goals and key actions. Direct access to finance was key to ensure that local communities and indigenous peoples were effectively engaged and the potential of their contribution to GCF goals ensured. They therefore urged the Board to develop direct access to finance for indigenous peoples by building on other simplified access modalities and the upcoming evaluation of enhanced direct access (EDA) and drawing on lessons from the best practices of other funds.

255. Fourthly, in terms of the delegation of authority that the updated Strategic Plan proposed, such as decision-making on proposals submitted under the SAP, they emphasized the need to ensure that, whether approval decisions were made by the Secretariat or as a decision between meetings by the Board, CSOs be given sufficient information, time and meaningful space to provide their views in the process. Furthermore, these inputs needed to be meaningfully considered prior to any decisions being taken.

256. Finally, they expressed strong concern that the Strategic Plan was being used to advance the private sector strategy, which had been discussed in its own right at prior meetings and with which they had extremely serious outstanding issues. The Strategic Plan should not pre-judge the outcome of these discussions and should remove elements that referred to the private sector strategy or its contents until they had been deliberated and agreed appropriately. In particular, they opposed efforts to strengthen the role of GCF as a direct equity investor in its own right and were concerned about proposals for co-investment approaches with institutional investors and references to the GCF underwriting securities laid out as steps in a staged development of modalities available to the PSF. They felt that these were not suitable for a fund serving the UNFCCC and the Paris Agreement.

257. The Co-Chairs thanked the active observer for CSOs and invited the active observer for private sector organizations (PSOs) to take the floor.

258. The active observer for PSOs thanked the Secretariat for all the work that had gone into developing the updated Strategic Plan and expressed appreciation to the many references within it to working with the private sector more widely and scaling up the mobilization of private capital. Having said that, the proposed 20 per cent grant equivalent target allocation for funds to be channelled through the PSF could be a great deal more ambitious, given the strong emphasis that was given to the so-called “unique” role of GCF and its particular capacity to work with the private sector.

259. During the initial resource mobilization period, the GCF had sometimes appeared to be ambivalent towards the private sector. The observer welcomed all the aspirations to increase private sector activity, reach out further to new partners and leverage funding but there had been considerable challenges in implementation. Engagement and outreach had been very patchy, and opportunities to leverage the PSO network had been largely overlooked. Accreditation had been onerous, the RFP aimed at mobilizing private funds at scale took two years to approve its first project, and a private sector project was withdrawn the previous day at the last minute following considerable effort and cost on the part of the AE concerned.

260. But the strategic planning process created an important opportunity going forward to match the aspiration towards the private sector with execution.

261. While the availability of a wider range of instruments to de-risk investments for the private sector would be very welcome, there was a need to see greater clarity throughout the Strategic Plan in discussions of risk appetite and the desire for innovation. GCF had asserted its intention to take greater risk than all other climate funds, but in practice it had been operating in a relatively risk-averse manner and with a limited number of instruments. Similarly, there may be a contradiction between the calls for innovation and the requirement for AEs to demonstrate a solid track record in very much the types of projects they were proposing to GCF, as they had observed in the new project-linked accreditation plan.

262. Finally, it would be helpful if the country programming process could be made clearer and more transparent in order to improve the ability of the AEs to develop proposals that were aligned with country priorities, and that an emphasis be placed on how the local private sector would be mobilized in the country programming.

263. The Co-Chairs thanked the observers for the remarks and informed the Board that a procedural decision for this agenda item would be presented for Board consideration later in the day.

264. The item was adjourned.

## Part 2

265. The Co-Chairs reopened the agenda item later on the final day of the Board meeting and invited a representative of the Secretariat to present the draft procedural decision.

266. The representative outlined the content of the decision in paragraphs (a)–(i) and the timeline between the current meeting and the publication of the final draft before B.25.

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

268. A Board member raised two questions, the first in relation to paragraph (a) and the words “for consideration and endorsement”; they opined that either the Board approved or did not approve, and that endorsement should be deleted. Secondly, they asked for clarification about the intention in paragraph (a)(iii) of “an inclusive process of engagement with the Fund’s stakeholders, including developing countries”.

269. On the first point the Co-Chairs proposed deleting “endorsement”.

270. Another Board member noted that the Board had agreed that in order to start programming for GCF-1, it needed to take a decision on an updated Strategic Plan; paragraph (a) needed to reflect this.

271. The Board member who had objected to the draft wording proposed replacing it with “for consideration and approval by the Board”.

272. With regard paragraph (a)(iii), the Secretariat representative informed the Board member that the intention was to use the regular opportunities to engage with developing countries through NDAs or focal points.

273. Following a further request for confirmation from the Board member that there was no intention by the Secretariat to hold a specific event at COP 25, the representative affirmed that this was not the case. They noted that the language used in paragraph (a)(iii) reflected the language in decision B.22/06. The Secretariat would be guided by the Board as to the process going forward.

274. Another Board member asked why only decision B.22/06 and certain B.24 decisions were referenced when there were other Board decisions that were relevant.

275. The representative explained that the reason for referencing these decisions in particular was because it set out specific guidance about the development of an updated Strategic Plan. However, all relevant decisions would be taken into account.

276. The Co-Chairs confirmed that paragraph (a) would be amended to read “for consideration and approval”. With no further changes, the decision was approved.

277. Following the decision, the Board member from Liberia thanked the Board for having confidence in his country as an LDC to host the informal meeting. This provided a valuable opportunity for the most important policy document, which would shift the direction of the GCF for the next four years, to be finalized in a country that was most vulnerable to the effects of climate change. The Government of Liberia looked forward to welcoming the Board to the capital, Monrovia.

278. The Board took note of document GCF/B.24/Inf.01 titled “The Strategic Plan for the GCF: 2020–2023”.

279. The Board adopted the following decision:

*DECISION B.24/03*

*The Board, having considered document GCF/B.24/Inf.01 titled “The Strategic Plan for the GCF: 2020–2023”:*

- (a) Requests the Secretariat, under the guidance of the Co-Chairs, to continue developing the updated Strategic Plan for 2020–2023, with a view to presenting it for consideration and approval by the Board at its twenty-fifth meeting, and that it takes into account:*
  - (i) Guidance set out by the Board in decision B.22/06 and decisions taken by the Board at its twenty-fourth meeting, including in relation to the outcomes of the first formal replenishment process of the GCF;*
  - (ii) Ongoing consultation with Board members and alternate members, including comments made at and the outcomes of the twenty-fourth meeting of the Board and further written submissions made by Board and alternate members; and*
  - (iii) An inclusive process of engagement with GCF stakeholders, including developing countries, accredited entities, advisory groups, active observers and observer organizations;*
- (b) Invites Board members and alternate members, as well as active observers, to submit written comments to the Secretariat on the draft updated Strategic Plan set out in document GCF/B.24/Inf.01 by 20 December 2019 to inform the work referred to in paragraph (a) above;*
- (c) Requests the Secretariat to publish all written submissions on the GCF website;*
- (d) Decides to hold an informal meeting of the Board, open to active observers, well before the twenty-fifth meeting of the Board, with a view to present a final draft of the updated Strategic Plan for 2020–2023;*
- (e) Welcomes the offers from Liberia and Armenia to host the informal meeting of the Board;*
- (f) Decides that the informal meeting shall be held from 5 to 7 February 2020 in Monrovia, Liberia;*
- (g) Requests the Secretariat to distribute to Board and alternate members and active observers, at least two weeks prior to the informal meeting referred to in paragraph (d) above, an updated draft of the Strategic Plan for 2020–2023, along with guiding questions on issues requiring further consideration by the Board, as input to the informal meeting;*

- (h) *Decides that the cost of the informal meeting will be covered by the budget of the Board for 2020, as approved by decision B.24/05, and requests the Budget Committee to review the budgetary allocation; and*
- (i) *Requests the Secretariat to make the necessary arrangements for this informal meeting.*

## (b) Workplan of the Board for 2020 – 2023

280. The Co-Chairs opened the agenda subitem and drew the attention of the Board to document GCF/B.24/14/Rev.01 titled “Workplan of the Board for 2020 – 2023: Co-Chairs proposal”. They reminded the Board that this item had been discussed during the informal meeting on the eve of B.24. Following that discussion, the workplan had been revised and circulated to the Board in the current version.

281. The active observer for CSOs welcomed the fact that formal meetings of the Board would continue to be webcast live. They noted with concern that the review of guidelines on observer participation had been postponed to 2021. It was important that policy matters should be considered as they arose.

282. The Co-Chairs underlined that the workplan was a living document that the Board would come back to in 2020. They invited the Board to adopt the decision.

283. There being no further comments and no objections, the Board took note of document GCF/B.24/14/Rev.01 titled “Workplan of the Board for 2020 – 2023: Co-Chairs proposal”.

284. The Board adopted the following decision:

### *DECISION B.24/04*

*The Board, having considered document GCF/B.24/14/Rev.01 titled “Workplan of the Board for 2020 – 2023: Co-Chairs proposal”:*

- (a) *Endorses the policy cycle for 2020–2023, as set out in annex II;*
- (b) *Requests the Secretariat to report annually to the Board as part of the report on the activities of the Secretariat on the lessons learned in implementing the policy cycle, with the first report to be presented to the Board at its first meeting in 2021;*
- (c) *Adopts the workplan of Board for 2020–2023, as set out in annex III;*
- (d) *Requests the Co-Chairs to update the Board workplan upon adoption of the Strategic Plan for 2020–2023 and at the first Board meeting of each year;*
- (e) *Decides that, notwithstanding anything to the contrary in any previous Board decisions or their annexes, any pending Board mandates or reviews of policies, guidelines, frameworks or other similar documents adopted by the Board shall, unless otherwise specified in this decision, be considered by the Board in accordance with the workplan of the Board for 2020–2023, as set out in annex II, or as subsequently amended;*
- (f) *Requests the Secretariat and independent units to commence policy reviews to enable Board consideration of the matters as scheduled in the workplan;*
- (g) *Decides to consider the following matters under the Strategic Plan for 2020–2023, as requested pursuant to decisions B.19/05, paragraph (c); B.21/18, paragraph (t); and B.22/06, paragraph (d):*
  - (i) *Findings of the additional analysis of potential investment priority areas to identify specific results areas where targeted GCF investment would have the most impact, as requested pursuant to decision B.17/08, paragraph (b);*

- (ii) *Alternative policy approaches for the integral and sustainable management of forests, as requested pursuant to decisions B.12/07, paragraph (e); B.14/01, paragraph (e); and B.17/01, paragraph (b)(vii);*
- (iii) *Mobilization of private sector finance to progress GCF forestry-related results areas, as requested pursuant to decisions B.12/07, paragraph (f); B.BM-2017/02; and B.17/01, paragraph (b)(xxi);*
- (iv) *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, as requested pursuant to decisions B.19/18, paragraph (b); and B.20/03, paragraph (b)(vi);*
- (v) *Private Sector Advisory Group recommendations to engage the private sector, including local actors, in adaptation action at the national, regional and international levels, as requested pursuant to decisions B.15/03, paragraph (i)(ii); B.17/06, paragraph (d)(ii); and B.21/04, paragraph (c)(ii);*
- (vi) *Steps to enhance the climate rationale of GCF-supported activities, as requested pursuant to decision B.19/06, paragraph (d)(i);*
- (vii) *Terms of reference for a request for proposal to support climate technology incubators and accelerators, as requested pursuant to decision B.18/03, paragraph (c); and*
- (viii) *The updated operational framework on complementarity and coherence, as requested pursuant to decision B.20/05, paragraph (e);*
- (h) Requests *the respective committees to oversee the reviews set out below, with the support of the Secretariat or independent units as relevant, and, if action by the Board is required as a result of the review, to present recommendations to the Board for its consideration and approval. Specifically:*
  - (i) *The Investment Committee to review in 2020 and 2022 the financial terms and conditions of grants and concessional loans pursuant to the review mandated by decision B.BM-2019/08, paragraph (c);*
  - (ii) *The Investment Committee to review by 2021 the investment criteria indicators pursuant to the review mandated by decision B.19/07, paragraph (b);*
  - (iii) *The Risk Management Committee to review in 2020 the initial financial risk management framework pursuant to the review mandated by decision B.07/05, paragraph (f); and*
  - (iv) *The Risk Management Committee to review in 2020 the risk management framework (components I–VII) pursuant to the reviews mandated in the policies as adopted through decisions B.17/11, paragraph (a), and B.19/04, paragraph (a);*
- (i) Also requests *the Budget Committee to consider the initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of the GCF, as requested pursuant to decision B.21/14, paragraph (j), and to present to the Board any recommended action for its consideration;*
- (j) Further requests *the Secretariat to develop the appropriate risk rating models with the support from an external professional service provider, as requested pursuant to decision B.17/11, paragraph (f), with the proviso to bring any recommendations requiring Board attention back to the Board;*
- (k) Requests *the Secretariat to conduct the review of the scaling pilot, as requested pursuant to decision B.10/17, paragraph (e), and decision B.12/18, in conjunction with the review of*

*the investment criteria indicators, adopted pursuant to decision B.22/15, and to communicate its findings to the Investment Committee and the Board;*

- (l) Decides that formal meetings of the Board will continue to be webcast live until otherwise decided by the Board; and*
- (m) Requests the Co-Chairs, taking into account the report contained in limited distribution document GCF/B.24/Inf.15/Add.01, to prepare a proposal on the review of the effectiveness of the committees and group established by the Board for consideration by the Board at its twenty-fifth meeting.*

## **Agenda item 12: Work programme of the Secretariat and administrative budget for 2020**

285. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/09 titled “2020 work programme of the Secretariat and annual administrative budget of the Secretariat, Board, and Trustee”. They noted that the BC had recommended that an additional risk buffer be set aside and that this would be considered after the Board had considered this document. They invited the Deputy Executive Director, Mr. Manzanares, to provide an introduction.

286. Mr. Manzanares provided a brief presentation describing the proposed 2020 work programme of the Secretariat and annual administrative budget. The work programme included six key priorities – three related to business model enhancements and three related to optimizing performance and operating modalities. It would be tracked by 33 key performance indicators (KPIs) with 60 targets. The administrative budget proposal, which had been endorsed by the BC, was for USD 76.7 million, which was a 5.8 per cent increase over 2019. The administrative budget for the Board was proposed to increase 6.9 per cent to USD 3.7 million, and the Secretariat budget was proposed to increase 4.7 per cent to USD 70.2 million.

287. The Co-Chairs thanked the Deputy Executive Director and asked if the Chair of the BC or any of its members wished to make any additional comments. The BC Chair, Mr. Delgado, informed the Board that he and the members of the BC fully supported the endorsement. The Co-Chair noted that other members of the BC were also indicating their approval.

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

### **Part 1**

289. In the ensuing discussion, several Board members who were not members of the BC noted their support for the work programme and budget as set out in the comprehensive document. They also thanked the BC for scrutinizing the document on behalf of the Board and expressed their trust in the work of the Committee. A Board member noted that the work programme took account of the update to the Strategic Plan 2020–2023 as currently envisaged, which would be discussed later by the Board. They also registered support for the 4.7 per cent increase of the Secretariat budget, but they expressed concern that labour costs represented 70 per cent of total costs (USD 50 million of USD 70 million). Another noted with satisfaction the increase in Secretariat staff, which the Board had agreed was needed, while another supported the recommendations of the BC in terms of the budget, which provided important predictability. They noted that the increase was in line with Board’s expectations for scaling up implementation and new commitments. At the same time, the proposed work programme and budget implied the need for significant productivity gains to be developed, which must be supported by Board decisions. A further Board member noted that the Secretariat was working on a more specific framework to define and measure paradigm shift and to estimate project impacts. Based on this, they expressed approval for the budget and noted the work programme.

290. Board members also raised a number of detailed points: Secretariat staffing/work culture/geographical diversity; the role of consultants; questions relating to documentation; the Secretariat's relationship with countries/country engagement; NDA capacity-building; GCF organizational structure/responsibilities; Board committee budgets; complementarity and coherence; the need for adequate resources for the independent TAP; RFPs; greater country balance in the GCF portfolio; and the impact of travel on the budget.

### **Consultants/staffing**

291. With reference to consultants, a Board member noted that their budget line showed an 11 per cent increase. They said that their expectation was that as staffing numbers increased towards 250, there would be a corresponding decrease in consultants, a view echoed by another Board member. They requested further detail on consultants, particularly in terms of their roles. While there was clearly a need for specialist consultants, it was also necessary to follow good management practice in minimizing consultancy use where work could be undertaken by full-time staff. Another Board member said they could not approve the budget as currently presented until the proposed budget for consultancy services had been examined. For example, they opined that Secretariat should not commission consultancy services to undertake work on matters that were not in the Governing Instrument or guidance from the COP, such as a study for financial decision-makers consistent with 1.5 °C and work on an initiative to increase ambition in NDCs. GCF resources were precious and must be spent on projects and on readiness. The Secretariat should not be developing literature; the IPCC managed this from a scientific standpoint.

292. Other Board members noted that the relationship between Secretariat staffing and consultants was not just about numbers. One referenced the comments from the Executive Director during the informal meeting on 11 November 2019 about the continued practice of staff working excessive hours. They expressed appreciation for the dedicated work of the staff while recognizing that it signalled a need to expedite recruitment to reflect the growing GCF portfolio. In so doing, it was also important to ensure the widest possible geographical representation. Another Board member requested more information on this. Furthermore, creating a productive and stress-free work culture was also essential. In a similar vein, another underlined the importance of keeping staff motivated and healthy. While overtime was sometimes needed, this needed to be monitored. To that end, the Board also had a responsibility to be reasonable in the demands it put on the Secretariat.

293. Another Board member acknowledged the progress made by the Secretariat over the years, including the composition and quality of staff. They opined that the Secretariat should "take a break" from policy development unless there was a particular issue that needed to be addressed. There was a danger that further increasing the volume of policies reduced the Secretariat's flexibility. While it was important to build capacity in country, it was necessary that the Secretariat was not overly policy-prescriptive when working with developing countries.

### **Documentation**

294. Two Board members requested that documents be provided in French and Spanish; this would bring GCF on a par with institutions like the Montreal Protocol and the Global Environment Facility. However, another Board member stated that they either needed to be provided in all six United Nations languages or not at all. A further Board member requested that acronyms be spelled out in documents.

295. Concerns were expressed by a Board member regarding failure to meet the 21-day rule in the publication of documents ahead of Board meetings. The work programme (see annex IV) identified a target (KPI) of 75 per cent of documents to be circulated at least 21 days prior to a Board meeting. This target did not make sense as it was not possible to have a target that was

less than that specified under the Board's Rules of Procedure, namely 100 per cent. They also reminded the Board that this rule had been met during 2018, while accepting that 2019 had been more challenging for the Secretariat in view of replenishment. However, it was important for GCF-1 for documents to be available in sufficient time to allow for adequate preparation by Board members, a view echoed by others. They requested adding language to the decision to capture this requirement. This would need to include a provision that if the Co-Chairs were unable to clear in appropriate time, the Secretariat was mandated to circulate the documents. This view was echoed by another Board member who noted that the Rules of Procedure did not require Co-Chairs to approve documents before they were transmitted by the Secretariat. It was always within the prerogative of the Co-Chairs to determine another date but, if so, they needed to give Board members predictability.

296. Furthermore, the Board member welcomed the objective that aimed to ensure comments were made available well ahead of the meeting once consultations had been completed by the Co-Chairs. To this end the consultation software should be used, and comments should be shared with all Board members. They also needed to be accessible to advisers.

297. However, another Board member noted that, having served as a Co-Chair, the Co-Chairs represented two constituencies. It was challenging to agree on the agenda for Board meetings and to resolve differences between the two constituencies so that they could produce documents that were less controversial. This could never be entirely eliminated. If deadlines were insisted on, this would make it very difficult for the Co-Chairs.

### **Complementarity and coherence**

298. A Board member asked for clarification regarding the reference to targets for complementarity and coherence; complementarity and coherence should be embedded in all funding proposals and country programmes and not limited in number as currently proposed.

### **Independent Technical Advisory Panel**

299. A Board member noted the increase in the budget for the independent TAP and expressed the hope that it would allow them to recruit more external experts onto the TAP.

### **Requests for proposal**

300. Noting that the Secretariat proposed to come back with additional RFPs in 2020, a Board member urged the Secretariat to consider including livelihoods and the ocean-climate-biodiversity nexus and to ensure that a clear focus was given to engaging the private sector; only 2 per cent of GCF adaptation funding had been allocated through private sector entities.

### **Board committee budgets**

301. A Board member requested that sufficient budget be allocated for committee work. For example, the Performance Oversight Committee would be evaluating the performance of the Heads of the Independent Units and the Executive Director, and it would be necessary to have expert support.

### **GCF structure**

302. A Board member welcomed the Secretariat's focus on strengthening the GCF structure, as reflected in paragraph 42 of the work programme. It was important to clarify the responsibilities and boundaries of authority between the Secretariat, the Board, Board committees and the independent units. They also noted that the Board should not attempt to

micromanage each operation of GCF activities. At the same time those administrative matters handled by Board members should be handled by the Secretariat.

### **Portfolio**

303. One Board member requested a greater geographical balance in the portfolio and increasing focus on countries currently underrepresented.

### **Country engagement/relationships**

304. A Board member noted the importance of seeing plans to scale up pilot work in Grenada; GCF needed regional representatives closer to projects. This would add an extra filter to project submissions, thereby alleviating the backlog in the project pipeline. Furthermore, country engagement and visits should be stepped up, supplying countries with more information about the GCF operations and opportunities. Another, while recognizing that the travel budget would grow in line with the increased emphasis on implementation, opined that the focus should be on Secretariat consolidation rather than creating field offices at this stage. Other vehicles could also be used, such as regional workshops where staff visited regions to provide training.

### **National designated authority capacity-building**

305. A Board member highlighted the need to use readiness more effectively to develop the capacity of NDAs compared to AEs. In many cases, GCF funds were being used but projects were not being developed on the ground. Readiness could be used more extensively to support the goals of GCF, especially to develop projects and direct access.

### **Active observers**

306. The active observer for CSOs expressed appreciation for the detailed workplan of the Secretariat for 2020, including its ambitious results framework with indicative programming goals and targets for core indicators to which it can be held accountable. They welcomed the Secretariat's commitment to increase the effectiveness, efficiency and transparency of GCF, aided by new structures being put in place, including the more specific delineation of responsibilities within the Secretariat; the focus on developing new operational manuals and policy guidance documents; and the establishment of the Climate Investment and Climate Policy Committees.

307. The observer expressed concern over several statements within the Secretariat workplan document regarding the role of GCF. The document seemed to prioritize the development and promotion of financial tools such as de-risking instruments, and financial structuring via blended finance or equity investments, over its core role of supporting country-driven action that was reflective of countries', indigenous peoples' and local communities' needs and priorities in climate action. This core role necessitated a focus on grant provisions, including covering full costs of adaptation measures needed for the most vulnerable people and countries. Increased risk appetite should include a willingness to invest directly in people and communities without expected financial return or leverage as the yardstick for impact. In 2020, GCF should scale up programmes under the EDA and MSME pilots, which allowed often marginalized groups to more directly benefit from GCF financing. On the other hand, the suggested expansion of REDD-plus pilot approaches should be deferred until a thorough, transparent midterm review was completed.

308. With respect to closing policy gaps in 2020, CSOs looked forward to working with the Secretariat throughout the year on the development of the GCF ESS and the implementation of the Indigenous Peoples' Policy and the Gender Policy and Action Plan. They noted that

implementing these policies would require assessing the capacity of NDAs and AEs to fulfil these requirements and then provide targeted support.

309. They welcomed the Secretariat's commitment to work with CSOs to further increase transparency and observer participation throughout its activities and operations, including through a strengthened IDP with new best practice ESS disclosure procedures. Transparency and stakeholder engagement would become ever more important as the GCF took on more complex partners and financial arrangements.

310. The proposed first-ever GCF Stakeholder Engagement Forum to take place in 2020 should be a complement to continuous engagement with civil society, indigenous peoples and community stakeholders. As such, the Secretariat's 2020 administrative budget should reflect the need for support for developing country CSOs, indigenous peoples, women and community representatives to more consistently engage with GCF.

### Secretariat response

311. The Deputy Executive Director provided responses on several of the matters raised:

- (a) Regarding consultants: these were needed because of limited staff on the ground in the absence of field and regional offices so that the Secretariat could reach out to countries and NDAs. They were also used for thematic expertise, which brought flexibility to GCF. In terms of monitoring and supporting the large number of projects under implementation, annual performance reviews (APRs) came in a large block once a year; it did not make sense to have staff for such one-off annual activities. Furthermore, increasing the number of DAEs also required additional experts to help create a robust pipeline and concept notes in a flexible manner. Mr. Manzanares noted that although the budget of USD 2.8 million was still high, it was less than 2018;
- (b) Regarding the performance framework, the KPI on the circulation of documents (3.2) would be rephrased so that the objective was 100 per cent. Mr. Manzanares informed Board members that the Board previously agreed that, in exceptional circumstances, this time period could be shortened by the Co-Chairs;
- (c) On complementarity and coherence, the KPI (1.2) would be rephrased so that it would be embedded in all funding proposals;
- (d) On labour representing 70 per cent of the total administrative budget, this was a higher number because GCF operating costs were lower thanks to the generous support from the Government of the Republic of Korea;
- (e) In terms of the languages in which documents were provided, the Secretariat would follow the guidance provided by the Board;
- (f) With regard to the paper, it was less focused on the IPCC 1.5 °C goal; rather it focused on a call for action for financial institutions and decision-makers based on scientific evidence to ensure climate change was mainstreamed into financial institutions;
- (g) The Secretariat noted the comments regarding acronyms;
- (h) The Deputy Executive Director proposed to take the question regarding boundaries of authority between various elements of the GCF structure offline with the Board member concerned (see para. 42 of the document GCF/B.24/09);
- (i) A budget had already been allocated for the work of the Performance Oversight Committee. The Deputy Executive Director explained that the Secretariat made forecasts in the administrative budget about future Board decisions that might have budgetary implications. These were then included in the draft decision; and

- (j) With regard to geographical staff representation, this data was available and would be taken offline.

312. Finally, the Deputy Executive Director requested further discussions with the Board member who had objected to the decision to further understand the concerns.

313. The Co-Chairs noted that the Secretariat would consult further with the Board member concerned and also with the Board member requesting data on geographic representation.

### **Foreign exchange risk buffer**

314. They asked the Board to turn its attention to the foreign exchange risk buffer.

315. A representative of the Secretariat provided an introduction highlighting the need for the Board to approve an additional USD 70 million for the foreign exchange risk buffer. This was on top of the USD 100 million foreign exchange risk buffer adopted at B.22. The request was endorsed by the BC.

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

317. A Board member said that they thought that the intention had been to fix the foreign exchange risk buffer prior to pledging. The effect of leaving it floating had impacted developing countries significantly by around USD 1 billion during the initial resource mobilization. Developing countries were grateful for the pledges made, but it seemed that they, rather than developed countries, had to bear the effects. The Board member had understood that as part of their contribution, developed countries would protect against this exposure. Instead of locking up USD 100 million, which could otherwise be used to support developing countries, could the Policy for Contributions be revised so that the foreign exchange risk would be borne by contributors over and above their pledges, instead of GCF? Until this was resolved, they did not wish to approve the policy.

318. The Co-Chairs asked the Board member to clarify if they were objecting to the decision or whether they wished to have more time to consider more fully what was proposed.

319. The Board member agreed that it would be useful to have more ideas at least to see how the risk could be split between GCF and contributors.

320. The Co-Chairs invited the Chair of the BC to take the floor.

321. Mr. Delgado explained that this was a requirement based on the risk management framework, which was why the BC had endorsed it. While concurring that a solution needed to be found, the Chair indicated that there was little flexibility at the present time as this was responding to existing mandates that needed to be complied with.

322. Another Board member clarified that what was proposed was not an expense but a buffer; the currency mismatch would reduce over time.

323. A further Board member asked the Board to trust the BC, noting that there were other priorities for the Board in terms of its use of time. Regarding the question about geographical balance, while a legitimate question, it had already been indicated that the Secretariat would follow up on this for the member concerned.

324. However, another Board member said that committee members should not feel offended when questions were raised during the Board's plenary sessions. The dynamics within committees were sometimes different to those in Board meetings.

325. There being no further comments or objections, the Co-Chairs took it that the buffer was agreed.

326. They adjourned consideration of agenda item 12 for further consultations.

## Part 2

327. The Co-Chairs reopened the item on the final day of the Board meeting and reminded Board members of the proposed amendments in the decision related to the consultancy budget and 21-day document distribution rule. They informed the Board that they had before them two documents and highlighted the changes that had been made. This also included an editorial correction, namely, to remove the reference in the Executive Summary to “net zero emissions”.
328. They opened the floor for comments.
329. A Board member requested that the text referring to the 1.5 °C scenario be amended to “protect against a future scenario greater than 1.5 – 2.0 degrees Celsius”. This would be consistent with the language used in the Paris Agreement.
330. Another Board member suggested that if the intention of the meeting was to make the language consistent with the Paris Agreement then it should also say instead of “move towards low emission” to “move towards emission reduction”.
331. The Co-Chair said that the idea was to capture the notion of the Paris Agreement not to cite it in full as this was an annex to a budget not a policy statement.
332. There being no further comments or objections and with the further amendment requested by the Board member regarding 1.5 °C, the decision was adopted.
333. The Board took note of document GCF/B.24/09 titled “2020 work programme of the Secretariat and annual administrative budget of the Secretariat, Board, and Trustee”.
334. The Board adopted the following decision:

### *DECISION B.24/05*

*The Board, having considered document GCF/B.24/09 titled “2020 work programme of the Secretariat and annual administrative budget of the Secretariat, Board and Trustee” and GCF/B.24/Inf.07 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund”:*

- (a) Recognizes that the work programme will help to guide the activities of the Secretariat during 2020;*
- (b) Approves the 2020 work programme and the goals and suggested priorities set out therein, in accordance with paragraph 23(e) of the Governing Instrument for the GCF;*
- (c) Also approves an administrative budget for the Secretariat, as presented in annex IV, section IV, for the period 1 January 2020 to 31 December 2020 in the amount of USD 70,190,932, which includes USD 26,083,209 in new funding as well as USD 44,107,723 for 2020 staff salaries and emoluments that was approved by the Board by decision B.18/12, paragraph (d);*
- (d) Further approves releasing the amount of USD 45 million, which was set aside towards the operating expenses of the GCF for 2020, as per decision B.22/21, paragraph (a);*
- (e) Approves USD 50,758,819 for projected staff salaries and emoluments for 2022;*
- (f) Also approves a budget for the Board in the amount of USD 3,673,720, as found in annex IV, table 4;*
- (g) Further approves a budget for the Trustee in the amount of USD 2,881,000, as included annex IV, table 17;*
- (h) Decides to set aside an additional amount of USD 70 million towards the risk buffer;*

- (i) *Requests the Secretariat to ensure that the Secretariat's consultancies budget, as contained in annex IV, section IV, be used in line with the work programme of the Secretariat as approved by the Board; and*
- (j) *Acknowledges expectations from the Board for Board documentation to be released in line with paragraph 21 of the Rules of Procedure of the Board.*

## **Agenda item 13: Matters related to the independent units**

### **(a) Work programme and budget of the Independent Evaluation Unit**

335. The Co-Chairs opened the agenda subitem and drew the attention of the Board to document GCF/B.24/12/Rev.01 titled "Independent Evaluation Unit 2020 Work Plan and Budget and Update of its Three-year Objectives and Work Plan".

336. The Co-Chairs explained that they had opened the subitem to comply with the wishes of the Board to consider items in the order in which they appeared in the agenda. However, the current matter would be suspended and reopened after the consideration of agenda item 19 on the evaluation policy and IEU guidelines.

337. The item was suspended.

338. The Co-Chairs reopened the item on the final day of the meeting. They invited the Head of the IEU, Ms. Puri, to introduce the item.

339. Ms. Puri gave a presentation that recapped some of the achievements of the IEU during 2019 and highlighted its plan for 2020. She also highlighted that its 2020 workplan was part of a multi-year, phased strategy that the unit was using to:

- (a) Continue the effort in staffing the unit while migrating some of its consultant positions to staff positions and working on the evaluation policy;
- (b) Conduct five evaluations on the SIDS portfolio, adaptation portfolio, SAP (rapid assessment), PPF review, and LORTA;
- (c) Synthesize evidence (accreditation independent synthesis review) and provide capacity-building and advisory services (including under LORTA); and
- (d) Further strengthen its communication and uptake practice.

340. Ms. Puri also presented the proposed IEU budget for 2020 of USD 5.58 million.

341. The Co-Chairs thanked the Head of the IEU for their presentation. They highlighted that the Board document had been revised based on consultations with Board members at B.24. The Co-Chairs opened the floor for comments.

### **Evaluation of the GCF portfolio in small island developing States**

342. Two Board members raised concerns regarding the planned evaluation on the relevance and effectiveness of GCF investments in SIDS. Specifically, they asked why the decision had been taken to focus only on SIDS and not on other vulnerable countries such as LDCs and African States. Noting that they were a member of the BC, one of these Board members said that their work on reducing the IEU budget did not appear to be reflected in the outputs of the workplan. They expressed their surprise that the SIDS evaluation was still included. The other Board member said that it was important to understand the impact of GCF resources on communities across all vulnerable countries. The sequence of the evaluations should be clearly defined in order to ensure that all vulnerable countries would benefit from an evaluation. In addition, the

Board member requested clarification on how the evaluation would account for SIDS that were also LDCs or African States.

343. Another Board member suggested changing the full title of the SIDS evaluation to reflect the fact that it addressed GCF interventions in SIDS. They highlighted that SIDS were not located in any one specific geographical region.

344. The Co-Chairs invited Ms. Puri to respond.

345. The Head of the IEU confirmed that the title of the evaluation would be “an independent evaluation of the GCF portfolio in the SIDS”. Acknowledging that the three groups of vulnerable countries were not mutually exclusive, she explained that the decision to focus on SIDS was the result of engagement with Board members. It was important to conduct disparate evaluations given that GCF was unable to derive lessons for specific categories of countries from an analysis of the GCF portfolio as a whole. This was particularly the case for SIDS, whose characteristics diverged from other countries in terms of their size, vulnerability to climate change, remoteness and lack of capacity. The Head of the IEU said that this did not preclude evaluations on other groups of countries, such as LDCs and African States, which also displayed distinguishing characteristics. The unit had to prioritize its work in any one year since it was still a small unit and it could not do everything at once.

346. The Co-Chairs asked Ms. Puri if an evaluation of LDCs featured in the unit’s three-year rolling workplan.

347. The Head of the IEU explained that the plan was more general in order to allow flexibility to engage with the emerging needs of the Board. On this basis, the 2021 workplan could include other evaluations desired by the Board. The workplan and the terms of reference of the unit also provided scope for thematic, geographic and portfolio-level work.

348. Highlighting that the Budget Committee had already reviewed the documents, the Co-Chairs invited the Chair of the BC to take the floor.

349. The Chair explained that consideration of unit workplans did not come under the terms of reference of the BC. They assured the Board that the proposed budget had been carefully scrutinized and that the IEU had reduced the budget significantly based on the request of the BC.

350. Underlining the need for evaluations in order to demonstrate the transformational changes achieved using GCF resources, a Board member stressed that the IEU was not able to conduct the full range of assessments needed simultaneously. They expressed support for the decision to focus on the SIDS first, given the existential threat they faced as a result of climate change. LDCs, African States and other countries could follow. Another Board member stressed the importance of conducting evaluations at the regional level, such as in Latin America, in addition to evaluations by country type.

351. The two Board members who had raised concerns regarding the SIDS evaluation requested further clarifications. They reiterated their question regarding the approach to countries that fell into more than one category of vulnerable country. One of these Board members asked for further information on the terms of reference for the SIDS evaluation. Noting that some countries would need to be revisited in separate evaluations, they said that addressing all the vulnerable countries together would reduce costs. The other Board member stressed that they did not oppose the decision. They noted that plans to conduct further evaluations in LDCs and African States in 2021 had been hinted at by the Head of the IEU and requested that such plans be reflected in the decision.

352. The Head of the IEU proposed that the Board’s consideration of the next three-year rolling workplan could incorporate the kinds of suggestions currently being made. They further provided assurances that the planned evaluation would produce disaggregated data for those

SIDS that did and did not come under other categories of countries. In addition, work in future evaluations of LDCs and African States would, subject to approval by the Board, cover those countries that had not already been the subject of the SIDS evaluation.

353. One of the Board members raising concerns requested that the sequence of evaluations of SIDS, LDCs and African States be incorporated into the decision.

354. After consulting with the Head of the IEU, the Co-Chairs explained that the proposed work on SIDS was a specific type of evaluation, namely a country portfolio evaluation. They said that the concern of the Board member related to the planning of the IEU beyond 2020, which did not come under the current item. The Co-Chairs therefore proposed that future Board discussions of annual workplans should, for context, also consider subsequent years within the three-year rolling workplan.

355. The Board member said that they wished to be provided with the terms of reference for the SIDS evaluation. However, these did not need to be presented at B.24.

356. The Head of the IEU confirmed that the IEU always circulated and distributed its terms of reference and that, following the approval of the evaluations, the unit would circulate the terms of reference to everyone. All IEU approach papers were also published publicly.

### **Other matters**

357. A Board member expressed the desire to be provided with itemized budgets and time allocations for the different evaluations proposed in order to inform the Board's decision on the workplan. The Board member said that future evaluations should take a retrospective rather than a forward-looking approach. They wished to underline that they fully supported the work of the IEU.

358. Another Board member requested further information on the staffing capacity of the IEU, including consultants. Furthermore, they wished to know how the scope of the evaluations had been determined and whether these took into account Board decisions and the views of Board members.

359. Noting that they supported the decision in its current form, a further Board member said that they expected the planned assessment of GCF adaptation-related investments to evaluate the climate relevance of funding proposals on adaptation approved to date.

360. A Board member proposed that future evaluation reports could be submitted one meeting in advance of their consideration by the Board. Given the considerable length of the IEU reports, this approach would facilitate a more informed discussion.

361. The Head of the IEU explained that the unit was currently supported by 13 members of staff, 11 consultants based at GCF Headquarters, and 5 interns. In 2020, there would be 16 staff members, 10 consultants and the regular cohort of 4 or 5 interns. The overall size of the unit would therefore not change much between 2019 and 2020. In terms of the scope of the evaluations, the unit would assess the implementation of GCF policies and Board decisions and identify where there was room for improving processes in order to better serve the beneficiaries of GCF resources. Ms. Puri confirmed that in 2020, the IEU would present not only the annual workplan for 2021 but also the plan for 2022. These plans would be based on the guidance given by Board members.

### **Conclusion**

362. Summing up the item, the Co-Chairs confirmed that the title of the SIDS evaluation would be adjusted as requested. In addition, the terms of reference for the evaluation would be circulated to Board members and made publicly available. Finally, future annual workplans would be considered alongside the three-year rolling workplan.

363. A Board member asked that it be recorded that the evaluation of GCF interventions in SIDS was being conducted in the context of a wider approach that also addressed LDCs and African States.

364. The Co-Chairs said that the point raised entered into the details of evaluation work and stretched the expertise of both the Board member and the Co-Chairs. They provided assurance to the Board member that they would receive the terms of reference and that these would take into account the geographical context and the different categories of vulnerable countries.

365. The Co-Chairs invited the Board to adopt the decision.

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

367. The Board took note of document GCF/B.24/12/Rev.01 titled “Independent Evaluation Unit 2020 Work Plan and Budget and Update of its Three-year Objectives and Work Plan”.

368. The Board adopted the following decision:

#### *DECISION B.24/06*

*The Board, having considered document GCF/B.24/12 titled “Independent Evaluation Unit 2020 Work Plan and Budget and Update of its Three-year Objectives and Work Plan”:*

- (a) Approves the workplan and budget of the Independent Evaluation Unit for 2020 as contained in annex VII for the total budgeted amount of USD 5.58 million;*
- (b) Requests the Budget Committee to review the budget execution during 2020 and acknowledges that the Independent Evaluation Unit may present to the Board for consideration at its twenty-sixth meeting an additional budgetary request to execute its workplan for 2020; and*
- (c) Notes the update on the Independent Evaluation Unit’s rolling three-year workplan, outlined in annex VIII as requested by the Board to ensure flexibility, learning and predictability for the Independent Evaluation Unit.*

#### **(b) Work programme and budget of the Independent Integrity Unit**

369. The Co-Chairs opened the agenda subitem and drew the attention of the Board to document GCF/B.24/16/Rev.01 titled “Workplan and budget of the Independent Integrity Unit for 2020”.

370. They invited the Head of the IIU, Mr. Pam, to introduce the document.

371. Mr. Pam informed the Board that the 2020 workplan of the IIU was presented within a broader context, namely the end of the first three-year term of the IIU and the development of a strategic plan for the accomplishment of the objectives of the unit for the second three-year term. He noted the following priorities for 2020:

- (a) Upscaling of investigative responses in line with increasing project disbursements;
- (b) Establishing the GCF administrative remedies and exclusions framework;
- (c) Monitoring of the implementation of integrity policies;
- (d) Carrying out proactive integrity risk assessments and project/programme reviews;
- (e) Providing technical support and assistance for AEs; and
- (f) Carrying out awareness-raising and training.

372. The Co-Chairs thanked the Head of the IIU for the presentation and opened the floor for comments.

373. A Board member urged the IIU to enhance its work in public relations and advocacy. Noting the large number of cases that had been considered by the EAC, they stressed that it was not the role of the IIU to police but rather to protect the Secretariat and the Board and to safeguard the reputation of GCF. It was important that people understood this to promote dialogue with the unit.

374. Another Board member said that the focus should not be on public relations but on communicating more clearly the work that the IIU was undertaking. They highlighted the unit's efforts in providing training to AEs on GCF integrity standards. This was important in order to prevent cases from occurring to begin with. With regard to the high volume of cases discussed by the EAC, the Board member underlined the need to distinguish between cases of differing severity. In this regard, they welcomed the fact that the unit was collaborating with the Executive Director on identifying grievance mechanisms in order to ensure that only the most serious cases reached the IIU.

375. The active observer for CSOs welcomed the focus in the workplan of the IIU on monitoring and raising awareness of integrity policies as well as on increasing the capacity of AEs. They urged the IIU to conduct an open consultation on the planned Policy on Administrative Remedies and Exclusions, as had been the case for previous integrity policies.

376. Regarding the proposal to enhance its public relations efforts, the Head of the IIU noted that the investigative work of the unit was inherently conflictual. Nevertheless, it was adjusting its approach in order to reduce the impact of conflicts that did arise. With this in mind, the Secretariat would in future address more minor issues through its grievance mechanisms, and the IIU would focus on building a more robust preventative framework at the project level.

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

378. There being no objections and no further comments, the draft decision was approved.

379. The Board took note of document GCF/B.24/16/Rev.01 titled "Workplan and budget of the Independent Integrity Unit for 2020".

380. The Board adopted the following decision:

#### *DECISION B.24/07*

*The Board, having considered document GCF/B.24/16/Rev.01 titled "Workplan and budget of the Independent Integrity Unit for 2020":*

(a) *Approves the workplan and budget of the Independent Integrity Unit for 2020 as contained in annexes IX, X, and XI for the total budgeted amount of USD 2,638,044; and*

(b) *Requests the Budget Committee and Ethics and Audit Committee to review the budget execution during 2020 and acknowledges that the Independent Integrity Unit may present to the Board, for its consideration at its twenty-sixth meeting, an additional budgetary request to execute its workplan for 2020.*

#### (c) **Work programme and budget of the Independent Redress Mechanism**

381. The Co-Chairs opened the agenda subitem and drew the attention of the Board to document GCF/B.24/03/Rev.01 titled "Independent Redress Mechanism Work Plan and Budget for 2020". They invited the Head of the IRM, Mr. de Silva, to introduce the document.

382. Mr. de Silva stated that the IRM workplan and budget had been approved by the BC and the EAC. He outlined the framework of operations of the IRM, presented its key achievements in 2019, and set out the main elements of the workplan and budget for 2020. The budget saw a 14 per cent increase over the previous year. This was based on the additional expense of running a training workshop in Songdo on DAE grievance mechanisms. In addition, the budget would cover an estimated three complaints in 2020 as well as the costs of ICT, which had previously been covered by the Secretariat.

383. A Board member asked how many complaints had been made in 2019 and how many had been budgeted for in 2020. They further requested that acronyms be written out to provide clarity for readers.

384. Highlighting the need to raise awareness of the possibility of redress among stakeholders in developing countries, particularly indigenous and local communities, another Board member called on the IRM to increase its outreach efforts. This work could also contribute to the prevention of complaints from being lodged in the first place. In addition, the unit should communicate more with NDAs regarding requests for reconsideration of funding proposals.

385. Mr. de Silva explained that in 2018 there had been one reconsideration request from Argentina and one complaint from a CSO in Bangladesh. In 2019, there had been no requests or complaints, but the unit had conducted a self-initiated inquiry into FP001. The IRM had therefore been conservative in its estimation of complaints for 2020. Underlining that the implementation of projects had only begun at the end of 2018, the Head of the IRM noted that the level of complaints received by the unit was comparable to that of other newly established mechanisms. In addition, the unit encouraged complainants to go through the GRMs of AEs as their first port of call. Mr. de Silva highlighted that the unit already had an outreach programme, but he acknowledged the need to do more work in this area. With this in mind, the programme would be expanded in 2020.

386. Comparing the IRM to a fire department, a Board member noted the low level of “fires” that the unit had had to put out. They therefore requested clarification on the 14 per cent increase in the budget for 2020. They further stressed that the IRM should not do the work of other entities, who had their own mechanisms. Another Board member expressed agreement with this view, noting that the budget should only be increased in proportion to the caseload.

387. A further Board member voiced their support for the budgeting level allotted to the IRM. They underlined the importance of investing in training and outreach to prevent future cases. Yet, noting the other views expressed by the Board, the Board member suggested that the Head of the IRM not request an increase to the budget.

388. Mr. de Silva noted that the essence of a fire service was readiness. He reminded the Board that the IRM had been established under the Governing Instrument to provide developing countries with an opportunity to request the reconsideration of funding proposals that had not been approved by the Board. The budget increase for 2020 was accounted for by the need to provide training to AEs in building up their GRMs. All AEs were required to have a GRM. At B.23, the Board had approved accreditation for one entity on the condition that they would establish a GRM because they did not already have one in place. However, the entity did not have the requisite expertise. Furthermore, where GRMs did exist, they were often rudimentary. If complaints were not adequately addressed, this represented a reputational risk to GCF. Stressing that the number of complaints could increase in the coming years as more projects entered implementation, Mr. de Silva noted that the Board would, at that point, have an opportunity to review the current approach.

389. The Chair of the BC stressed that the budget initially requested by the initial resource mobilization had already been reduced. The committee had analysed the IRM data and approved a 14 per cent increase for 2020 with a view to enhancing prevention. The Chair

proposed that the Board could maintain the 2020 budget amount in 2021 if it did not see an urgency for an increase. On this basis, they urged the Board to approve the budget as proposed.

390. A Board member said that the work of the IRM should extend to two further areas: entities that felt unfairly treated in the accreditation or reaccreditation process should be entitled to redress; and there should be a mechanism whereby NDAs could report issues experienced in dealing with individual GCF staff members who were responsible for assessing funding proposals. The Board member underlined that a code of conduct for Secretariat staff was overdue.

391. The Co-Chairs said that the Head of the IRM had noted the Board members' comments.

392. A further Board member took the opportunity under this agenda item to thank all the independent units and the Secretariat for their work on the budgets. They welcomed the introduction of output-based budgeting.

393. The Co-Chairs invited the Board to adopt the decision.

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

395. The Board took note of document GCF/B.24/03/Rev.01 titled "Independent Redress Mechanism Work Plan and Budget for 2020".

396. The Board adopted the following decision:

#### *DECISION B.24/08*

*The Board, having considered document GCF/B.24/03/Rev.01 titled "Independent Redress Mechanism Work Plan and Budget for 2020":*

*Approves the workplan and budget of the Independent Redress Mechanism for 2020 as contained in annexes XII and XIII, respectively, for the total budgeted amount of USD 1,321,238.*

## **Agenda item 14: Consideration of funding proposals**

397. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/02/Rev.02 titled "Consideration of funding proposals" and its related addenda.

### **Funding proposal 123**

398. Prior to opening the floor for general comments on the package of funding proposals, the Co-Chairs informed the Board that FP123 had been withdrawn from consideration at the current meeting by the AE, the International Finance Corporation (IFC). The document relating to this funding proposal was document GCF/B.24/02/Add.09/Rev.01, which had been circulated to the Board the preceding day. The funding proposal was titled "Climate Bonds for Forests: Scaling up Private Sector Financing for REDD+".

399. The Co-Chairs invited the Secretariat and the independent TAP to provide further information on this issue.

400. The Executive Director informed the Board that, following consultations with IFC and the independent TAP, the Secretariat would not be presenting the funding proposal at the request of the AE to enable further elaboration of several dimensions of the proposal.

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

402. A Board member requested clarification as to whether the elements requiring further work were to do with the process behind or the substance of the proposal.

403. The Executive Director affirmed that there were several substantive elements that would benefit from further elaboration.
404. In the ensuing discussion, several Board members expressed disquiet at the late withdrawal of FP123.
405. A Board member noted that this sent a disturbing message to recipients and developing countries as a whole. It was the sole right of the Board to determine whether to approve funding proposals. It was inappropriate for other pressures to be exerted on AEs and countries to withdraw projects. While civil society may have their own views on funding proposals, it was for governments to determine these matters. The Board member noted that they regularly received emails from civil society advocating various points of view. These were always welcome, but it was for the Board to make the final decision. They urged that project proponents should not be intimidated into withdrawing proposals. The Board member asked the Executive Director to ensure that such last-minute withdrawals not reoccur. They requested that IFC be invited to inform the Board why it had decided to withdraw the funding proposal and when and how it would resubmit it.
406. On a related theme, another Board member asked for clarification on the role of the independent TAP in this case. What had been its responsibility? Surely the TAP was in a position to know if more work was required prior to the proposal being submitted for Board consideration?
407. Another member stated that this practice was against at least three principles, namely, (i) transparency (what was happening behind the scenes?); (ii) the right of stakeholders (including implementing entities, private sector and public sector) to be able to articulate their arguments; and (iii) the responsibility of the Board to consider each project. It was necessary for the Board to consider how to correct this practice.
408. A further Board member echoed concerns at the last-minute withdrawal but also noted the earlier discussion of the Board on slowness of implementation. They requested that the Secretariat provide information on the relationship between the number of (independent TAP) conditions attached to a funding proposal and the time to disbursement and implementation.
409. The Executive Director stated that the Secretariat had commissioned a report into the effect of conditions on the implementation of funding proposals. This had shown that the negotiation of AMAs and FAAs was a much more significant factor on influencing implementation than conditions. On average, there is now only one condition per funding proposal in comparison to a much higher average in the early years of GCF.
410. The Executive Director confirmed that the Secretariat would try to locate the representative of the AE as it would indeed be much more useful to hear from them directly.
411. The Co-Chairs invited another representative of the Secretariat to provide an introduction to the funding proposal package.
412. The representative provided an overview of the package of 13 funding proposals and the projected GCF portfolio if the Board approved all of them. They noted the overview took into account the withdrawal by the AE of FP123. Figures on the distribution by geography, thematic area, financial instrument and the amount of co-financing were provided. The presentation also included the expected emission reductions, the number of beneficiaries, portfolio distribution across the eight results areas as well as the initial resource mobilization target in both nominal and grant equivalent terms.
413. The Co-Chairs thanked the representative and opened the floor for comments.

## Recusals

414. Recusals were received from the Board member from Germany, Mr. Frank Fass-Metz, in respect of FP117, FP122 and FP082 due to the relationship between his government ministry (German Federal Ministry for Economic Cooperation and Development) and the programmes. The Board member from France, Mr. Cyril Rousseau, also recused himself with respect to FP119 as he was on the Board of the AE. The Chair of the EAC reminded the Board that, while appreciating the high level of integrity shown by Board members who had recused themselves, the Policy on Ethics and Conflicts of Interests of the Board did not prevent Board members from participating in deliberations.

415. During the ensuing discussion, several further Board members expressed regret at the last-minute withdrawal of FP123. One said it would have brought geographical diversity in the forestry portfolio while another noted that the withdrawal at such a late stage provided an argument for a two-stage approval process, where concerns about projects could be discussed earlier. Another Board member regretted the withdrawal, noting that private sector engagement in this area was important.

## General comments

416. Board members thanked the Secretariat, the independent TAP and the AEs for presenting a strong package of proposals, with one noting that the number presented was just about right for one Board meeting. For one Board member, this was just the type of portfolio they wished to see covering important results areas as well as balancing grants and loans, adaptation and mitigation, LDCs and SIDS. Another said that the package contained several transformational projects and addressed underdeveloped thematic areas while others commended the number of SAP proposals. A further Board member welcomed the high number of adaptation and cross-cutting projects. Several commended the proportion of projects that focused on forests and land use. This was consistent with the emphasis on nature-based solutions that was one of the outcomes of the United Nations Secretary-General's Climate Summit in September. One opined that it was good to see ecosystem-based solutions to climate change, which enabled multiple impacts for the same number of dollars, euros or yen invested. In this regard, they recommended that GCF should pay greater attention to projects that created such co-benefits that should be measured. Another Board member noted, however, that out of the total number of beneficiaries only a relatively small proportion were in Africa. They requested that when preparing future batches of proposals this fact be borne in mind although they recognized that FP123 would have ensured a better balance. Another Board member noted the improved quality of projects in the package and opined that there was further room for improvement regarding country ownership and clarification of the climate rationale and paradigm shift.

## Independent Technical Advisory Panel

417. Concern was expressed by several Board members at the lack of support from external experts mentioned in the independent TAP report owing to the expiry of contracts. The members felt it important to maintain a competent and independent TAP to properly assess the quality of funding proposals. One noted that the Board relied on the technical expertise provided by the TAP. Another requested that the Secretariat provide information on what measures it was taking/intended to take to address this; having experts with competence in thematic areas was essential. They also expressed concern that the independent TAP comments on a consultancy study had not been adequately taken on board. A further Board member said it was clearly a high priority, as a refinement of the work process between the TAP and the Secretariat was needed to further speed up the review of funding proposals. The Board member observed that there would be an ample opportunity to discuss this at B.25 during the review of

the independent TAP. On the same theme, another Board member expressed appreciation for the engagement of the independent TAP with AEs and the Secretariat to strengthen proposals. It was important, as had been shown in the case of FP123, that proposals only be presented where the comments of the independent TAP had been fully addressed.

### **Concentration**

418. One Board member expressed some concern at the concentration in a certain number of countries and AEs; allocation by country should be taken into account. However, another Board member said that while it might appear to be rather concentrated on an individual basis, it was a relevant approach given what had happened during the initial resource mobilization period.

### **Direct access entities**

419. While the increased number of DAE projects was welcomed, a number of Board members once more highlighted the need to further increase direct access proposals. One opined that, while it was not a problem in respect of a single package of proposals, it needed to be balanced over time. Another Board member opined that the Board needed to make DAEs a special priority and that SAP proposals could be used to bring them on board.

### **Results areas**

420. Several Board members commended the package for being well balanced. At the same time, noting the strong concentration on energy (38 per cent) under the mitigation area, there were also a number of requests for the Secretariat and AEs to aim for a broader balance over time so that projects under other results areas were presented, including transport, waste management, buildings and industry. One Board member highlighted the importance of transport for African countries. Another said that within the transport sector, GCF should not overlook electric mobility. Others welcomed the first project on oceans and biodiversity, with one welcoming the coverage of the Western Indian Ocean.

### **Forests**

421. While joining others in commending the number of forest projects in the current batch of proposals, a Board member emphasized the need to try different approaches to effectively address deforestation. This was especially true for poor and vulnerable developing countries that were not as advanced in implementing REDD-plus to access funding for forests. There was potential for strengthening results-based payments (RBP) pilots for monitoring the use of proceeds or risk of reversals. The upcoming review of RBP would be important for drawing lessons. Another Board member noted that reforestation projects had both mitigation and adaptation benefits; increasing resilience of ecosystems was the most effective form of adaptation. Such projects not only benefited soil, water, habitats and biodiversity but also impacted livelihoods and poverty reduction through landscape approaches; the latter contributed to the objectives of the United Nations Sustainable Development Goals.

422. Furthermore, GCF should take steps to address one of the great climate change challenges facing humanity, namely that affecting the Sahel and adjacent areas. The Sahel showed the grim future facing humanity where climate change led to conflicts and generated internally displaced people and migration. GCF could contribute to reducing the climate change dimension of the complex situation facing the region.

## **Simplified approval process**

423. Several Board members commended the proportion of SAP proposals in the package. One observed that if all five were approved this would trigger a review of SAP (i.e. USD 80 million of GCF funding committed). Another said that it was interesting to see innovative and transformative adaptation projects under SAP. While the process needed to be simplified, it was already making it possible to develop projects such as SAP010 with its people-centred early warning systems approach; this benefited people in LDCs and SIDS who were disproportionately affected by meteorological hazards. Some Board members highlighted the need to really simplify SAP to improve access for vulnerable communities. One said that, in reality, SAP proposals were treated in the same way as funding proposals under the regular process.

## **Request to consider simplified approval process funding proposals between Board meetings**

424. Following the Board's consideration of the five funding proposals under SAP (below), a Board member asked that the Board consider using the procedure for decisions without a Board meeting for SAP funding proposals. Given the forecasted increase of the number of funding proposals to be presented at each meeting to between 25 and 30 in 2020, this could help streamline the work of the Board and the Secretariat; a 21-day period could be provided for comments and, where there were comments from Board members, then they could be brought to a Board meeting; this did not represent a blank cheque for the Secretariat. The Board member proposed that this could be included in the text of the decision for agenda item 14.

425. The Co-Chairs thanked the Board member for the proposal and confirmed that they would return to this later in the meeting.

426. The Co-Chairs subsequently returned to this matter later that day. They proposed that, given the fact that a review of SAP had now been triggered as total approvals had reached USD 80 million, this matter be considered as part of that review. They asked the Board member if that was acceptable.

427. The Board member confirmed that this approach was acceptable, noting that it had been important to raise this issue now so that new Board members were aware of it. They reminded Board members that this had been discussed two and a half years earlier when it had been recognized that there could be a dramatic increase in SAP funding proposals. While there was a clear need to simplify the SAP, there should also be a focus on simplifying the work of the Board. If the decision-making procedure without a Board meeting was applied, the number of SAP approvals could be dramatically increased. The Board member noted that they had been informed there were SAP proposals that had been ready for B.24 but had not been distributed in time for the meeting; the countries now had to wait four months for the next meeting.

428. The Co-Chairs reconfirmed that this would be considered as part of the SAP review.

## **Other comments**

429. A Board member noted the following points:

- (a) Measures related to land-rights management and descriptions of its social and environmental impacts needed to be strengthened – not least because many of the proposals contained complex benefit-sharing mechanisms with the involvement of many actors;
- (b) The overall performance framework needed to be strengthened – it was important to have the revised RMF in place to provide clear guidance and requirements;

(c) There was a need to have a systematic way of describing climate relevance; and

(d) Projects needed to have a conflict sensitivity analysis.

430. Noting that several Board members had referred to the need for balance in relation to results areas, the Co-Chairs suggested that it may be necessary in the future to show how funding proposal packages contributed to running totals on these matters.

431. The Co-Chairs invited the active observers to take the floor.

432. The active observer for PSOs, while welcoming the range of proposals in the current package, noted that in view of the rapid pace of urban development and the opportunity for GCF to do more to support cities in their transition of green economy, it had been striking that there was still very little progress on scaling up investment in transportation. IFC analysis of NDCs that highlighted key sectors most relevant to private investment had shown that there were as many NDCs from developing countries focused on transportation as there were NDCs covering energy efficiency, and only a few less than those focused on renewable energy. Low carbon transportation had been identified as a priority by 111 countries, targeting public transport, bus rapid transit, rail and clean vehicle fleets. It was therefore clear that the investment need and pipeline was there. Clearly more assistance and greater engagement was required to transform this pipeline into GCF projects and programmes. This would involve proactively engaging with the private sector and tapping its considerable expertise and experience in transport infrastructure.

433. According to the active observer, the transportation sector accounted for around 15 per cent of greenhouse gas emissions – higher than forestry, agriculture and manufacturing. This called for as much, if not more, emphasis as these other sectors.

434. Finally, referring back to the earlier discussion, they wished to put on record their concern about the fact that the only private sector proposal on the agenda for this meeting had been withdrawn. This kind of last-minute decision-making created uncertainty in the market and was highly undesirable.

435. The active observer for CSOs expressed their appreciation for the opportunity to provide some comments on the full scope of the remaining 13 funding proposals. Despite its diversity of approaches and regions, just two of the 13 projects were from a DAE. This further cemented the imbalance between funding channelled through international entities, which, if all projects were approved at the current meeting, would be six times the amount of that channelled through DAEs.

436. As they had noted on the previous day, the active observer for CSOs appreciated that the Secretariat's senior management had quickly fulfilled their commitment to working towards further increasing the transparency of the project preparation process by proactively releasing the annexes to all public sector projects. This was critical to allowing the observers, and the public more generally, to view further details of both the preparation and design phase as well as the implementation commitments of proposed new GCF investments. In this respect, they hoped that the annexes of private sector proposals, redacted to protect proprietary information where absolutely necessary, followed suit, especially as more projects in the future might be labelled as private sector ones for the context of both transparency and internal accounting under blended finance arrangements, despite significant public finance contributions. Clearer guidelines and rules for these cases would be helpful.

437. CSOs had noticed with alarm a cluster of REDD-plus projects in this meeting's proposal batch. This magnified the serious concerns of CSOs about the GCF REDD-plus pilot as a whole, for example, with reference to the forest reference emissions level (FREL) and the permanence of paid-for emission reductions as the recent widespread devastating forest fires globally illustrated. If GCF did not want to see scarce GCF funding literally going up in smoke, it might be wise to suspend further consideration of REDD-plus proposals until the midterm review of the

pilot was concluded. Irrespective of this, it had become obvious that the continued use of this mechanism required substantial improvements, which included stronger measures to assess concomitant emission reduction activities being undertaken by the applicant country prior to proposal submission, as well as how relevant GCF policies and safeguards had been implemented.

438. Furthermore, the observer expressed serious concerns about the lack of CSO consultation in the REDD-plus projects brought to the Board at the meeting. Meaningful consultation of a wide range of local communities and indigenous peoples on these projects, and understanding of such consultations as an iterative process and not a one-time event, was essential.

439. In addition, these projects must ensure gender-responsive benefit-sharing in the context of insecure land tenure systems both for local communities and indigenous peoples and with special provisions to account for the access difficulties that women continued to experience for such schemes.

440. In terms of clusters, the observer noted that this was the first time that a batch of five SAP proposals was being considered at a single Board meeting. This showed both the growing interest of project proponents in this approach, but also that a pilot that applied project size and risk category restrictions – as CSOs were recommending for the PSAA – could lead to rapid upscaling. At the same time, this also made the SAP approach, in the view of CSOs, unsuitable for REDD-plus RBP proposals, which the complexity of the related safeguards, rights and methodological issues in the REDD-plus proposals that would be discussed during the meeting had showcased.

441. Finally, the observer expressed their appreciation that some of the funding proposals put forward at this meeting demonstrated a broader, more thoughtful approach to the interpretation of the risk appetite of GCF beyond that of financial structuring. By engaging in conflict-prone environments and working with communities that were normally overlooked by climate projects, it showed that risk-taking by GCF should have greater substance than assuming increased financial risks, and should instead embrace the opportunity to work with new actors in difficult environments to do things differently.

442. The Co-Chairs thanked the observers for their comments.

443. The Co-Chairs then informed the Board how they intended to proceed. For each funding proposal, they would invite the Secretariat to provide a brief introduction. They would then invite the Board to approve the funding amount requested for the proposal and then open the floor for the views of Board members on each proposal.

444. Representatives from AEs were present in the building, and they were invited to be in attendance in the Boardroom when their respective funding proposals were considered in order to answer any potential questions from the Board.

445. With reference to the Policy on Ethics and Conflicts of Interests of the Board, the Co-Chairs invited any Board members who wished to, and, who had not already done so, to declare any possible conflicts of interest in relation to the deliberations.

446. Seeing none, the Co-Chairs confirmed that the Board would start by considering funding proposals under the SAP.

### **Simplified approval process funding proposal 008 titled “Extended Community Climate Change Project-Flood (ECCCP-Flood)”, by the Palli Karma-Sahayak Foundation**

447. The Co-Chairs opened SAP008 as contained in document GCF/B.24/02/Add.12 and Add.18/Rev.01.

448. A representative of the Secretariat introduced SAP008, which requested a USD 9.68 million grant with co-financing of USD 3.64 million for a project to increase the resilience of poor and climate-vulnerable communities against the adverse effects of climate change in flood-prone areas of Bangladesh. The project proposed to select 20,000 households in five districts based on vulnerability and increase their resilience to floods. This would be done by raising 10,000 plinths and supporting residents to reconstruct more climate-resilient homes on top of these plinths. The project would also increase safe water supply and sanitation, and it would diversify livelihoods through the cultivation of flood-tolerant crops and the rearing of goats and sheep. The project used local communities as the entry point and took a gender-sensitive approach by focusing on women-headed households. The communities would be organised in climate change adaptation groups, and these groups would then be supported by 10 local organizations to provide continuous technical assistance.

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

450. The active observer for CSOs welcomed this adaptation project for Bangladesh especially as there was a great need to expand the GCF portfolio for adaptation. They then expressed the following concerns and recommendations.

451. The proposal stated that there were no indigenous peoples' communities in the targeted areas of the project. The CSO partners on the ground in Bangladesh had informed them that this was not the case. They stated that they were seeking further clarification and, if this was confirmed, they urged that the project take this into account and that potentially affected indigenous peoples communities be immediately included in the project processes.

452. The observer further stated that CSOs believed that the project could and should be much improved. They echoed the independent TAP findings that the major activities were neither innovative nor transformative. While they agreed that the four elements of the project were very important in adaptation efforts – addressing housing, access to water and sanitation, livelihood resilience and building the capacity of communities and institutions – the actual activities under each element could be made much more impactful and transformative. For example, the activities for livelihoods mentioned were goat-/sheep-rearing in slatted houses and flood-resilient crop cultivation. These could of course contribute to increasing livelihood resilience but there were other strategic interventions that could be carried out, given that, as the proposal itself stated, most of the target beneficiaries either doing subsistence farming or in poorly paid agricultural work, and were in extreme poverty conditions earning less than USD 1.75 a day. An immediate challenge was not only to make their current livelihoods more resilient to floods but to increase their incomes in order for them to be less vulnerable to the many impacts of climate change. The proposal should investigate the conditions of these agricultural workers and their relationships with landowners or farm-owners.

453. Another example were the activities related to housing, which involved the raising of homesteads above-flood levels. The project proposal did not describe the quality and conditions of the existing homesteads but, in all likelihood, the need was not just to raise them above flood levels but to build stronger and better houses.

454. The establishment of 1,000 climate change adaptation groups (CCAGs) was very commendable. CSOs offered the following suggestions:

- (a) The project needed to be clearer about the role of local government units in supporting and making sustainable the CCAGs and the project as a whole;
- (b) There had to be some clarity as to the actual work of the CCAGs; and
- (c) It was very important that the work of CCAGs was guided by more innovative, transformative and empowering framework and approaches than that articulated in the proposal.

455. The Co-Chairs invited the AE, the Palli Karma-Sahayak Foundation (PKSF), to take the floor.
456. The representative expressed their thanks for the comments received from the active observer for CSOs. PKSF had been working with marginalized and disadvantage people in this area for a long time. Through PKSF partners, they had never heard of the existence of any indigenous peoples in the project area, but PKSF had absolutely no problem to include them.
457. Regarding shelter, this was very important and PKSF was proposing both plinth-raising and the development of appropriate infrastructure.
458. In terms of sustainability, PKSF ensured that the infrastructure remained with beneficiaries because they received support from PKSF not GCF as this created greater ownership. The fact that they received subsidized loans helped with sustainability.
459. With reference to goat-/sheep-rearing using traditional techniques, the survival rate of the animals was low. The project included a proposal for new technology in the flood plain involving a slatted housing system. PKSF previously had success with this in other countries which faced similar flood risks and they had seen a reduction in livestock mortality rates.
460. There being no further comments and no objections, SAP008 was approved.

**Simplified approval process funding proposal 009 titled “Building resilience of urban populations with ecosystem-based solutions in Lao PDR”, by the United Nations Environment Programme**

461. The Co-Chairs opened SAP009 as contained in document GCF/B.24/02/Add.13 and Add.18/Rev.01.
462. A representative of the Secretariat introduced SAP009. The proposal requested a grant of USD 10 million, with co-financing of USD 1.5 million, for a project that aimed to increase the resilience of the population in four urban and peri-urban areas in the Lao People’s Democratic Republic to floods that were becoming more frequent as a result of climate change. Against a baseline of grey flood protection infrastructure, which was inadequate under climate change scenarios, and expanding cities, the project would apply ecosystem-based approaches to urban environments, restoring wetland and river ecosystems, installing permeable pavements, and developing integrated flood management strategies for the four cities, as well as national policy guidelines, decision-making tools and knowledge-sharing mechanisms to mainstream the approach.
463. The Co-Chairs opened the floor for comments.
464. A Board member noted that the approval of the project would also help to protect a United Nations Educational, Scientific and Cultural Organization World Heritage Site.
465. There being no further comments and no objections, SAP009 was approved.

**Simplified approval process funding proposal 010 titled “Multi-Hazard Impact-Based Forecasting and Early Warning System for the Philippines”, by the Landbank of the Philippines**

466. The Co-Chairs opened SAP010 as contained in document GCF/B.24/02/Add.14 and Add.18/Rev.01.
467. A representative of the Secretariat introduced SAP010. The proposal requested a grant of USD 9.99 million from GCF with co-financing of USD 10.19 million from the Government of the Philippines. The representative highlighted that the Philippines was one of the world’s most vulnerable countries to hydrometeorological hazards and experienced an average of 19 tropical cyclones per year. This project implemented a forecast-based action approach so that at-risk

communities could reduce the impact of cyclones. The project would install and expand observation networks; generate hazard maps and risk-models; and develop early-action protocols, communication strategies and cyclone-response plans. The project would improve decision-making at national and local levels using impact-based forecasts and enable the Philippines to implement long-term policies for risk reduction and adaptation to increasing cyclone activity.

468. A Board member asked for clarification about the numbers presented, many of which coincidentally ended in USD 0.19 million or in one case USD 0.99 million.

469. The representative of the Secretariat confirmed that the GCF total of USD 9.99 million was correct and that the other numbers were the result of an error in terms of rounding of the figures.

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

471. There being no further comments and no objections, SAP010 was approved.

### **Simplified approval process funding proposal 011 titled “Climate-resilient food security for women and men smallholders through integrated system-based risk management”, by the World Food Programme**

472. The Co-Chairs opened SAP011, as contained in document GCF/B.24/02/Add.15 and Add.18/Rev.01.

473. A representative of the Secretariat introduced SAP011. The proposal requested a grant of USD 9.25 million, with co-financing of USD 0.75 million, for a project aiming to tackle the large reduction in agricultural yields expected in drier scenarios due to climate change. The representative of the Secretariat noted that GCF financing would support the long-term adaptation of 16,000 vulnerable and food-insecure households, or 80,000 people through access to community-based, climate-resilient productive assets. This would be enabled by capacity-building of national, district and community-level systems and institutions, the introduction of micro-insurance, and the establishment of 550 farmer clubs. These clubs would provide access to training and feature village-savings and loans groups to act as shock buffers. They would promote financial literacy and facilitate farmer access to formal loans to diversify livelihoods and to improve agricultural practices. Watershed enhancement and rehabilitation would be supported via asset creation, including forestry, livestock and horticulture sectors.

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

475. A Board member thanked the Secretariat for the project and recalled that in 2000/2001 the Least Developed Countries Fund had been set up under Article 4, paragraph 9, of the UNFCCC following severe flooding in Mozambique. The country continued to be vulnerable and this kind of support was very important for such countries. Representing Africa, they fully supported the project.

476. There being no further comments and no objections, SAP011 was approved.

### **Simplified approval process funding proposal 012 titled “Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture”, by the International Fund for Agricultural Development**

477. The Co-Chairs opened SAP012 as contained in document GCF/B.24/02/Add.16/Rev.01 and Add.18/Rev.01.

478. A representative of the Secretariat introduced SAP012, requesting a grant and loan of EUR 8.5 million, with co-financing of EUR 2.975 million, for a project aiming to improve access to credit for smallholder farmers in the Niger in implementing climate-resilient and low-

emission agriculture. The representative of the Secretariat noted that the highly concessional financing of GCF would support end-beneficiaries to implement climate-resilient agriculture, restore forests on more than 20,000 hectares, build critical water harvesting infrastructure for agriculture, and adopt renewable energy along the agricultural value chain. The project was expected to reduce greenhouse gas emissions and sequester carbon of 1.6 MtCO<sub>2</sub>eq over the project lifetime of 20 years. The project would also build resilience of 25,000 smallholder farmers, and further benefit an additional 150,000 people from a resilient, agricultural value chain.

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

480. A Board member sought clarification on the role of the AE, the International Fund for Agricultural Development (IFAD), which they understood correctly was that of adviser rather than implementing entity.

481. A representative of IFAD was asked to respond.

482. The representative said that this project would follow the IFAD business model, which required that it worked through programme management units in the country. All its financing was through the government at the national level. In conjunction with IFAD, the government decided who would be the implementing unit (i.e. the programme management unit at the national level which was responsible for day-to-day project execution). All supervision was performed by IFAD as it was linked to its other investments in the Niger. This included supervision, disbursement, midterm reviews and management of funding all of which were the direct responsibility of IFAD.

483. Given that the co-financing from IFAD would not be channelled through GCF, the Board member asked if IFAD co-financing would be channelled through the Government of the Niger.

484. The IFAD representative confirmed that this was the case; IFAD paid for the programme management unit for the whole investment, including the GCF portion.

485. Another Board member said they were pleased to hear that the Secretariat was taking GCF concessionality right down to the beneficiaries. It was a matter they had raised before as this was extremely important, particularly for African countries.

486. There being no further comments and no objections, SAP012 was approved.

487. Following the completion of the consideration of the five funding proposals under the SAP, a Board member requested the floor to ask the Board to consider using the procedure for decisions without a Board meeting for SAP proposals. The Co-Chairs wished to proceed with the remaining funding proposals first and agreed to return to this matter later in the meeting. A summary of this discussion is reflected under the general comments section of agenda item 14 (above) and also referenced under agenda item 4.

488. The Co-Chairs proceeded with the remaining funding proposals as follows.

### **Funding proposal 082 titled “Catalyzing Climate Finance (Shandong Green Development Fund)”, by the Asian Development Bank**

489. The Co-Chairs opened FP082 as contained in document GCF/B.24/02/Add.01, Add.10 and Add.18/Rev.01.

490. A representative of the Secretariat introduced FP082. The proposal requested a loan of USD 100 million, with co-financing of USD 1,320 million, for a project which aimed to decarbonize the economy of Shandong, the province with the highest use of coal in China, and increase its resilience to climate change. The project would set up a facility, blending concessional donor financing and public and private financing, to invest in innovative mitigation and adaptation projects in the region, while introducing the investment criteria in the GCF

investment framework into decision-making. The project would reduce greenhouse gas emissions by 37.5 MtCO<sub>2</sub>eq during the lifetime of the project and increase the climate resilience of 7.5 million people.

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

492. The Board member from Japan underscored that GCF resources should be allocated to developing countries for climate change projects that could not be undertaken without external support or where it was difficult to mobilize private finance. According to the GCF investment framework, projects should demonstrate an absence of alternative sources of finance in order to qualify for funding. In Japan's view, the programme did not meet this requirement given that it would be funded by the Asian Development Bank (ADB) and other financial institutions. In addition, a large amount of funding was to be provided by the provincial government in Shandong. It was difficult to consider this a programme that would not be achieved without GCF finance. GCF should be cautious of diverting funding away from vulnerable developing countries with higher support needs.

493. The Board member from the United States of America noted that the funding proposal was largely unchanged from that presented at B.21. At that meeting, the United States had said that there was insufficient justification for GCF to finance the proposal. The Board member noted that the ADB had approved the programme on 25 September 2019 based on a scenario that did not include GCF financing; other sources of international and domestic finance were available. Underlining that GCF should not finance projects that would take place without its support, the Board member expressed concerns regarding the additionality of GCF funding. They expressed further concerns regarding the proposal's approach to research and development, as well as to transparency. It did not appear to adequately consider intellectual property rights, and it provided very little information on what exactly would be financed in terms of technological developments. On the other hand, the programme planned to support advanced technologies such as artificial intelligence, robotics, microgrids, solar roads and hydrogen cells. GCF should prioritize projects that would benefit the most vulnerable people. The Board member shared the concern expressed by CSOs that the selection criteria for subprojects were not consistent with the GCF investment criteria. The proposed criteria gave a disproportionately low weighting with regard to sustainable development potential, the needs of the recipient and country ownership. While the Board member thanked ADB for responding to some of the United States' concerns since B.21, they stated that they had completed their consultation and would not join a Board consensus to approve the proposal.

494. Another Board member underlined that as a developing country China was eligible to receive funding from GCF under the UNFCCC. They recalled that the programme had been presented at B.21 and B.22. At the first of those meetings, the Board had already discussed using an ad hoc voting procedure to decide on the programme, but this had not met with the consensus of the Board. The Board member urged their colleagues not to repeat the same discussion that had taken place previously but to invoke the newly adopted voting procedure for decision-making in the absence of consensus.

495. The Co-Chairs stated that there did not appear to be a consensus on whether or not to approve the programme. Before attempting to exhaust all efforts to achieve a consensus, all Board members should be given the opportunity to express their views.

496. Another Board member requested clarification from the Secretariat on the level of concessionality that had been proposed for the programme. They stressed that by providing a small proportion of the total funding for projects, GCF could enable developing countries to achieve transformational change. Competition over intellectual property rights and technological developments should not be a factor in the approval of funding proposals. The Board member urged their colleagues to consider joining a consensus to approve the programme, recalling that under paragraph 35 of the Governing Instrument all developing

countries were eligible to receive resources from GCF. They called on the Co-Chairs to hold Board members to account in this regard. It was not under the purview of the Board to determine the countries that were eligible for funding. In addition, the Board member said that invoking the voting procedure would set a precedent for future decisions of the Board. They reminded the Board that during discussions at B.23, Board members supporting the introduction of a voting procedure had said that it had never been exercised in similar organizations. While they were prepared to support the use of the mechanism, if necessary, in the run-up to COP 25 it was important to send out a positive message regarding the adherence of the Board to the Governing Instrument.

497. Another Board member stressed that the transfer of climate change technology and finance to developing countries had been a key consideration in negotiations on the Paris Agreement. It was essential that these countries had access to GCF resources to address these needs. The Board member underlined that this was a high-impact programme for which funding was requested in the form of a loan. They supported the call of the previous speaker to avoid using the voting mechanism or giving the impression to the outside world that certain developing countries were not eligible for funding.

498. The Board member who had asked for the voting procedure to be invoked repeated this request. In terms of public relations, it would be embarrassing for the Board to further delay the approval of this programme. Noting that technology transfer had been neglected both in the COP process and in GCF projects, the Board member urged the Board not to impose conditions on the support for technological innovation and development. Such reservations were being expressed on the basis of the recipient country in question and were not appropriate.

499. The Co-Chairs noted that there was currently no consensus among Board members on the approval of the programme. They said that they would proceed to the next stage of the process on the margins of the meeting in order to ensure that all efforts to achieve consensus had been exhausted.

500. The active observer for CSOs requested to take the floor.

501. The Co-Chairs said that they could make a brief statement.

502. The observer stated that they did not question China's eligibility to access funds from GCF. They recognized that other issues were under consideration and not just the merits of the programme. They had ongoing concerns regarding the programme and had submitted these to the Board in writing.

503. The Co-Chairs suspended the item.

504. A Board member raised a point of order. They sought reassurance from the Co-Chairs that the consultations regarding the exhaustion of efforts to reach consensus would not extend beyond the current meeting.

505. The Co-Chairs provided this reassurance.

506. Later in the same session, the Board member from China made a short statement. They said that they would be leaving the meeting room with mixed feelings. On the one hand, it was commendable that the Board had approved 12 funding proposals valued at over USD 300 million. This funding would be channelled to developing countries to tackle the challenges of climate change. On the other hand, they were disappointed that FP082 had been suspended owing to what they viewed as invalid reservations expressed by a few Board members. They appreciated the call made by colleagues around the table to address the issue as quickly as possible. The Board member expected the Co-Chairs, with the assistance of the Secretariat, to accelerate consultations with the members expressing reservations. If voting could not be avoided, the Board member expected this to be conducted in an open, transparent and efficient manner and fully in line with the spirit of the procedure adopted at B.23.

507. The Co-Chairs reopened the item on the afternoon of the final day of the meeting. They explained that they had met separately with the two Board members who had said that they would not join a consensus to approve the programme. In addition, the Co-Chairs had consulted with all Board and alternate members. Acting jointly and in good faith, the Co-Chairs had determined that all efforts to reach a consensus had been exhausted. In arriving at this determination, they had taken into account: the extensive consultations on the proposal since it was first considered at B.21, including those between Board members, the Secretariat and the AE; the fact that no consensus had been reached either at B.21 or at the current meeting; and the fact that two Board members had stated that they could not join consensus notwithstanding the options outlined in paragraph 7 of annex III to decision B.23/03 regarding the exhaustion of efforts to reach a consensus. The Co-Chairs had also considered whether a decision on the matter was urgent or necessary to safeguard the interests or reputation of GCF, or to ensure its continued operations.

508. The Co-Chairs outlined the voting procedure as contained in annex III to decision B.23/03. In addition, the Co-Chairs informed Board members that they would vote by raising their hands. All Board members present were required to vote. Votes would be counted by the Executive Director as well as the Co-Chairs' teams and Secretariat staff for the purposes of cross-checking. The Co-Chairs requested all persons in the Boardroom to remain seated and silent during the voting process with the exception of the Co-Chairs' teams and the Secretariat. They asked the Secretary to the Board to confirm if there were any seats where neither a Board member nor an alternate member was present.

509. The Secretary to the Board confirmed that there were two vacant seats owing to the absence of Board members Mr. Salgado and Mr. Cheikh Sylla as well as the respective alternate members, Mr. Lorenzo and Mr. Tanguy Guillaume Gahouma-Bekales.

510. The Co-Chairs asked if any Board members had questions before proceeding to the vote.

511. For the benefit of those watching the meeting online or in the overflow room, a Board member requested that the webcast cameras zoom out so that all Board members would be visible during the voting process.

512. The Co-Chairs said that this request would be met. They informed the Board that a draft of the decision text relating to FP082 had been circulated. This was the version that in the Co-Chairs' judgment was supported by the greatest number of Board members. The Co-Chairs invited the Board members to cast their votes.

513. The following Board members voted in favour of approving FP082:

- (1) Mr. Frank Fass-Metz
- (2) Ms. Irina Ghaplanyan
- (3) Mr. Ali Gholampour
- (4) Ms. Esther González Sanz
- (5) Mr. Hans Olav Ibrekk
- (6) Mr. Ronald Jumeau
- (7) Ms. Xia Lyu
- (8) Mr. Nagmeldin Goutbi Elhassan Mahmoud
- (9) Mr. Richard Muyungi
- (10) Mr. Paul Oquist Kelley
- (11) Ms. Karina Ramirez Arras
- (12) Mr. Lars Roth

- (13) Mr. Cyril Rousseau
- (14) Mr. Stefan Schwager
- (15) Mr. Ayman Shasly
- (16) Mr. Jeremiah Garwo Sokan
- (17) Ms. Sue Szabo
- (18) Mr. Tobias von Platen-Hallermund
- (19) Mr. Josceline Wheatley
514. The following Board members voted against approving FP082:
- (1) Holly Kirking Loomis
- (2) Masahiro Takasugi
515. The following Board members abstained from the vote:
- (1) Sarah Goulding
516. The Co-Chairs announced the results of the vote: 19 Board members had voted in favour of approving FP082, two Board members had voted against approval, and one Board member had abstained.
517. FP082 was thereby approved.
518. The Co-Chairs asked if any Board members wished to make a statement.
519. The Board member from China thanked their colleagues for their support and patience in reaching a belated decision. They also extended their gratitude to the Secretariat for its diligent work, as well as to the ADB and Secretariat staff for their work on delivering the programme. They stressed that this was a good programme, with strong additionality and climate impact potential. It had considerable merits in the areas of carbon emission reduction, private capital mobilization, high leverage ratio, mitigation and adaptation effects, and climate-resilient technology applications. The good practices extracted from the programme could also be shared with other developing countries. The Board member expressed their appreciation to the Board for finally approving the programme based on its merits. Noting that this was the first project subject to the GCF voting procedure, the Board member highlighted that the procedure had been established to facilitate consensus building and improve the efficiency of the Board's decision-making processes. In this context, they voiced their appreciation to the Co-Chairs for their leadership and wisdom, to Board members for their cooperation and to the Secretariat for its hard work. As a major developing country, China would continue to take action to combat climate change, to deepen cooperation with all parties, and to promote the multilateral governance process, including through GCF.
520. Another Board member noted that GCF had demonstrated that it had an effective governance mechanism for dealing with highly intractable problems. This should inspire the confidence of all relevant stakeholders.
521. The Co-Chairs thanked Board members for their comments.
- Funding proposal 116 titled “Carbon Sequestration through Climate Investment in Forests and Rangelands in Kyrgyz Republic (CS-FOR)”, by the Food and Agriculture Organization of the United Nations**
522. The Co-Chairs opened FP116 as contained in document GCF/B.24/02/Add.02 and Add.18/Rev.01.

523. A representative of the Secretariat introduced FP116. The proposal requested a grant of USD 30 million, with co-financing of USD 19.99 million, for a project that aimed to increase climate resilience by providing incentives to protect forest and rangeland cover, while sequestering 19.8 MtCO<sub>2</sub>eq in 20 years, which represented almost 8 per cent of Kyrgyzstan's total emissions. The project aimed to promote sustainable management and use of 62,400 hectares of forests, establish 100 tree nurseries and rehabilitate 645,000 hectares of grasslands. It also aimed to improve livestock productivity through rangeland rehabilitation and livestock production, while providing technical assistance to 90,000 households and special credit lines and loans to about 150 entrepreneurs in selected agribusinesses.

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

525. The active observer for CSOs stated that they had received some comments from CSO colleagues in Kyrgyzstan who raised concerns about the social sustainability of this project, mainly due to the problems of: (i) corruption; and (ii) the conditions and factors that would hinder women from benefiting significantly from the project.

526. CSO colleagues in Kyrgyzstan were very concerned that the project did not take into account the pervasive corruption in the country, thus making it difficult to foresee progress of the proposed activities. For example, the project aimed to achieve "improved forest management" through training for local state structures. However, corruption in these local state government structures paved the way for indiscriminate deforestation, changing the borders of national parks, allowing mining companies to destroy ecosystems that impacted on food production at all levels.

527. Regarding women's rights and land ownership, the observer noted that while Kyrgyzstan had a relatively progressive formal legal framework supporting women's rights to land and other property and natural resources, customary laws placed a strong emphasis on the household as one unit and thus the practice of family ownership of the land; this continued to support men's domination within the family as in all social, economic and political spheres. In cases where women had ownership, they faced other problems, including lack of access to resources, mainly water and finance.

528. With regard to the Food and Agriculture Organization of the United Nations (FAO) reference to different public structures, such as the water users association, the observer said that while women were members of these associations and also bore responsibilities as accountants or inspectors, they were not able to participate in decision-making processes within these and other public structures.

529. CSOs welcomed the fact that they had an opportunity to have some questions clarified through a meeting with the FAO team on 11 November 2019, including issues with regard to project location, consultation process beneficiaries and the inclusion of women in the loan scheme. However, there was a need for an assurance of the following: (i) proactive measures would be put in place to prevent potential corruption that would affect the project's sustainability; and (ii) that local, micro-enterprises and farms, and in particular people who were involved in the grant scheme of this project, would be prioritized in accessing the loan provided by the Russian Kyrgyz Development Fund, the co-financier of this FAO project.

530. The Co-Chairs invited a representative of the AE (FAO) to take the floor.

531. The representative thanked the active observer for CSOs for their constructive comments just made and those received before the meeting.

532. The representative reassured the Board that throughout the implementation of the project, FAO would promote an evidence-based approach that used geospatial information providing full transparency in the management, use and planning of natural resources which would be geo-referenced and made available to all stakeholders.

533. The project had thorough safeguards with an explicit exclusion list. For example, mining activities and other activities harmful to the environment were explicitly excluded.

534. Regarding gender, FAO, in general as well as with this project in particular, applied a policy to reduce or eliminate gender-based discrimination and this applied throughout support to the value chain. They also noted that higher efficiency was achieved by supporting women, which also achieved high efficiency in the use of natural resources that were part of the value chain. Attention had been paid to the inclusion of smallholders and smaller livestock breeders in the promotion of the credits associated with the project, which was a measure that helped to reduce gender-based discrimination.

535. Finally, the participation of local institutions, such as pastoral user unions, which were a primary stakeholder and main entry point for the delivery mechanism of grants provided by GCF proceedings were a guarantee of the participation of all livestock and natural resources users in the project area.

536. There being no further comments and no objections, FP116 was approved.

**Funding proposal 117 titled “Implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management”, by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH**

537. The Co-Chairs opened FP117, as contained in document GCF/B.24/02/Add.03 and Add.18/Rev.01.

538. A representative of the Secretariat introduced FP117, requesting a grant of USD 16.85 million, with co-financing of USD 55.15 million, for a project that aimed to achieve a paradigm shift in the forest and land-use sector, while mitigating greenhouse gas emissions from the forest sector in the Lao People’s Democratic Republic. The project would strengthen the enabling environment for REDD-plus by financing forest landscapes management, including through the REDD-plus funding window; strengthening the legal and regulatory framework for forestry and improving its enforcement. In addition, the project would support deforestation-free agriculture and agroforestry by enhancing productivity, increasing farmers’ integration into agricultural value chains, and improving access to finance and private sector participation in economic activities that reduced pressure on forests. Finally, the project would support the implementation of sustainable forest landscape management and forest landscape restoration in over 1.5 million hectares of degraded lands.

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

540. There being no comments or objections, FP117 was approved.

**Funding proposal 118 titled “Building a Resilient Churia Region in Nepal (BRCRN)”, by the Food and Agriculture Organization of the United Nations**

541. The Co-Chairs opened FP118 as contained in document GCF/B.24/02/Add.04 and Add.18/Rev.01.

542. A representative of the Secretariat introduced FP118, which was the first project to be presented to the Board from Nepal. Climate change had significantly increased the frequency and intensity of hazards and was undermining the viability of livelihoods in the Churia region of Nepal. The proposed project would take an integrated approach to enhancing the resilience of ecosystems and vulnerable communities through the promotion of the widespread adoption of climate-resilient land-use practices, restoration of ecosystems and forests, confronting the challenges of deforestation and forest degradation, and building resilience to more frequent and more intense climate-related hazards. It would also build the capacities of governments,

communities and other stakeholders to better understand and respond to climate risks and scale up much needed support after project closure.

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

544. A Board member expressed satisfaction at seeing a project aimed at building resilience for some of world's most vulnerable communities. They also commended the fact that it involved nature-based solutions. They had had a number of questions, including on the transformational effect of the project and how it would be implemented to make sure it would really deliver impacts. They expressed thanks to the AE (FAO) for its clarifications on questions posed before the meeting, and for transparency reasons wished to mention a few that they noted did not require the addition of conditions as they had understood from FAO that these were now part of the plan: (i) coordination and working with the government both at the national and local/provincial was important; (ii) use of research and evidence and learning lessons and sharing with other programmes in Nepal was much appreciated; and (iii) appropriate negotiation and consultation with affected partners, including indigenous peoples. They confirmed their support for the project.

545. Another Board member commended the Secretariat and the people of Nepal for submitting this proposal to the Board, considering that there have been no projects from Nepal to the Board during the initial resource mobilization period. It was good to see that the number of vulnerable countries that had not submitted proposals was decreasing. As the representative of the LDCs, they were pleased to see this proposal and looked forward to visiting the country to see the implementation of the project.

546. A third Board member noted that in the previous project from the Lao People's Democratic Republic there was an interesting concept on the management of forest landscapes to create resilient ecosystems. Too often climate finance went to countries with high deforestation rates. It was possible to create perverse incentives by providing funds to areas where there was bad management rather than supporting the maintenance of resilience and of landscapes through positive management. The project was very laudable.

547. The Co-Chairs invited the AE to take the floor.

548. The AE representative thanked Board members for their comments. They acknowledged that the discussions prior to the meeting was constructive, and they were happy to have provided the clarifications sought. Furthermore, they were ready to provide any further clarifications once the implementation of the project had started.

549. The Secretariat representative also noted that there were three LDCs that had submitted proposals for the first time, namely, the Lao People's Democratic Republic, Nepal and Mozambique.

550. There being no further comments and no objections, FP118 was approved.

### **Funding proposal 119 titled "Water Banking and Adaptation of Agriculture to Climate Change in Northern Gaza", by the Agence Française de Développement**

551. The Co-Chairs opened FP119 as contained in document GCF/B.24/02/Add.05 and Add.18/Rev.01.

552. A representative of the Secretariat introduced FP119. The proposed project would rehabilitate infiltration basins that would recharge the coastal aquifer with 13 million m<sup>3</sup> per year of treated domestic wastewater. The groundwater would then be pumped up through recovery wells and stored in a 4,000 m<sup>3</sup> reservoir. Water use efficiency in agriculture would be improved through the provision of on-farm water saving equipment such as drip irrigation and agricultural extension services provided to 4,200 farms, covering 1,500 hectares and directly supporting more than 23,000 people. In addition, the project would install a solar photovoltaic

(PV) scheme to operate the wastewater treatment plant, the aquifer recharge and recovery scheme, and the supply of this groundwater to agriculture lands. The PV scheme would produce an average of 9,411 MWh of electricity per year to operate the entire wastewater reuse system. The project would also promote climate-resilient and water-efficient agriculture through, among other things, providing technical and training inputs on the development of climate-resilient agriculture, crop and yield quality control, and knowledge management with regard to best practices for the reuse of treated wastewater.

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

554. The Board member from the United States thanked the independent TAP for its thorough review of the proposal, as well as Agence Française de Développement (AFD) and the Secretariat for responding to the Board member's questions both in writing and during the technical session. Underscoring the importance of addressing water scarcity in the region, they stressed that ensuring water quality was a key component of water projects. They therefore noted with regret that the water quality monitoring plan had not been released until 22 October 2019, particularly given concerns that there may be heavy metals in the water. They would have expected information about and strategies for addressing this key issue to have been provided earlier in the process and as part of the ESS report. Furthermore, the United States wished to express its concern arising from the submission of the proposal. It underlined that under the Governing Instrument only developing country Parties to the UNFCCC were eligible to receive resources from GCF. The United States had noted that it did not believe that the State of Palestine was qualified to accede to that convention. Therefore, the United States took the position that the State of Palestine was not eligible under the Governing Instrument to designate an NDA or to receive resources from GCF. The Board member underlined that the United States remained committed to supporting the Palestinians in practical and effective ways and to continuing to work towards a comprehensive and lasting peace between Israel and the Palestinians that offered a brighter future for all. They were unable to support the project in light of these concerns. However, due to the project's significant potential for positive impact, they did not want to stand in its way. Therefore, the United States objected to FP119 and would abstain from participating in a consensus decision to finance that proposal.

555. The Co-Chairs noted the Board member's abstention and invited the Board to approve the project.

556. There being no further comments and no further objections, FP119 was approved.

557. Later in the meeting, a further Board member made the following remarks on behalf of the Asia-Pacific constituency, of which the State of Palestine was a member. They noted that the State of Palestine had become a full party to the UNFCCC on 17 March 2016 and had signed and ratified the Paris Agreement on 22 April 2016. The Board member informed the Board that the State of Palestine was leading all developing countries in climate change negotiations as Chair of the Group of 77 and would continue to lead developing countries in the climate change negotiations at COP 25. They stated that the State of Palestine was eligible to receive funding under the UNFCCC, the Paris Agreement and the Governing Instrument.

### **Funding proposal 120 titled "Chile REDD-plus results-based payments for results period 2014-2016", by the Food and Agriculture Organization of the United Nations**

558. The Co-Chairs opened FP120 as contained in document GCF/B.24/02/Add.06 and Add.18/Rev.01.

559. A representative of the Secretariat introduced FP120, which submitted Chile's REDD-plus results for the years 2014, 2015 and 2016 with a total volume of 14.53 tCO<sub>2</sub>eq in emission reductions derived from reducing deforestation, forest degradation, enhancement of forest stocks and conservation presented to the GCF for RBP. The results were analysed against the

scorecard and resulted in a final volume of GCF emission reductions of 12,411,229.6 tCO<sub>2</sub>eq, equivalent to USD 63,607,552.

560. Chile would use the RBP proceeds to invest in additional activities that supported the implementation of their National Strategy on Climate Change and Vegetation Resources and contributed to the implementation of Chile's NDCs in the forest sector. This RBP project would focus on the implementation of the following actions and measures, aligned to the strategy and NDC targets: afforestation and revegetation programme; ecological restoration programme; restoration after forest fires programme; forest management programme involving native forests; strengthening the wood energy programme; and preventive forestry programme with emphasis on the rural-urban interface. The use of proceeds would be reinvested to deepen the implementation of the ambitious National Strategy on Climate Change and Vegetation Resources.

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

562. Several Board members took the floor to support the project with one commending the AE (FAO) for its efforts in this sector.

563. One Board member reminded the Board of the history of REDD-plus under the UNFCCC and the role of GCF as a financial instrument to provide adequate funding for developing countries as a result of their mitigation efforts in protecting their forests by means of RBP. It was recognized that GCF was a key driver in catalysing new and additional funds for REDD-plus actions in developing countries. They also commended the GCF RFP (the REDD-plus RBP RFP pilot programme) with three projects already approved since B.22. Others echoed this sentiment with one noting the strong set of forest projects in the current batch. The RFP had already encouraged more action in the forest and land-use area. They also welcomed innovation in forests and involvement of the private sector to address this huge challenge. It was vital to build capability across the whole sector and to build robustness and improve impact. The key role of this sector in mitigation and adaptation was widely recognized. These early projects provided opportunities for GCF to learn and generate transformational change in this sector. Finally, they noted the comment by the independent TAP "best practice". It was important for those considering bringing forward proposals under this RFP to bear this in mind.

564. Another Board member expressed satisfaction that Chile was able to access RBPs. They applauded Chile for its reduced emissions and enhanced removals but noted concerns at the profile of the results. The large majority of the results were from increased carbon stocks, which was a REDD-plus activity, and the Board member recognized these results but highlighted the need for Chile to reduce emissions from reduced deforestation and forest degradation. The majority of enhanced stocks came from one region (Los Lagos) and the same region had increased emissions from deforestation and forest degradation compared to reference levels. The increased emissions from this region almost cancelled out the reductions from the four other regions of the project. They encouraged the AE to work with Chile to continue to reduce emissions from deforestation and forest degradation across all regions. Given the positive assessment of the independent TAP, the Board member confirmed that they supported the project.

565. Another Board member asked how emission reduction credits were being treated in the project. They also asked if private plantations were involved and if incentives had also been received from the Forest Carbon Partnership Facility.

566. A further Board member noted the critical role that forests played in climate change mitigation. They commended the proposals submitted for the REDD-plus RBP pilot programme, acknowledging the long process necessary for countries to reach this point under the Warsaw Framework for REDD-plus approved by the COP in 2013. They expressed support for the project.

567. The Co-Chairs invited the active observer for CSOs to take the floor.
568. The observer expressed thanks to FAO for spending time with CSOs clarifying some of the questions and comments sent before the Board meeting. They then went on to note a number of further concerns and questions.
569. They appreciated that the lack of recognition of collective and individual indigenous land rights, as described in the environmental and social management framework (ESMF) in the funding proposal (p. 72), and the territorial conflicts over land claims by the Mapuche people and the state and the National Forest Corporation (CONAF) (p. 42 of the ESMF) was acknowledged in the funding proposal. However, the risks to project implementation posed by conflicts between the Mapuche people and the state were classified as “low”. This classification seemed to ignore the fact that there was no promise from the Government of Chile that activities would only take place on the lands where the indigenous peoples held secure legal land tenure or that conflict would not spill over from other neighbouring lands. Given the documented conflicts, CSOs emphasized that the project should not further worsen indigenous peoples’ situation but must work to improve it and ensure the compliance with the GCF Indigenous Peoples Policy, which was not referenced in the funding proposal.
570. Due to the current political context in the country, the observer stated that they had not been able to reach their partners and network in Chile for their inputs on this specific project. This political context also raised concerns about commitments made for the implementation of the proposal in relation to the permanence of emission reductions.
571. More specifically, according to information from forest experts in the region, Chile intended to include forest plantations, in particular pine, in the FREL as permanent cover. This “permanent” coverage was unlikely to last more than 20 years as that was the rotation time for pine plantations. Again, this raised doubts about the ability to guarantee the permanence of these claimed emission reductions. Furthermore, these plantations presented numerous environmental and social risks, including the risk of increased incidences of fire, impacts on water availability, erosion, biodiversity and social impacts on rural populations living near them.
572. Finally, they commented on a lack of transparency around the activities and data of CONAF.
573. The Co-Chairs thanked the observer for their comments and invited the AE representative to take the floor.
574. The AE (FAO) representative expressed their thanks for the comments received and took note of the concerns raised, which would be addressed during implementation. In respect of the question regarding private land, industrial plantations were excluded. The beneficiaries were for small-scale forest landowners and the activities were focused on native forests.
575. The representative explained that in terms of coherence with incentives from the Forest Carbon Partnership Facility that the years when the country was receiving payments/incentives were differentiated (i.e. the Forest Carbon Partnership Facility Carbon Fund would only pay for 2019 onwards). There would be no overlapping of payments.
576. Regarding the question of transparency from the active observer for CSOs, Chile’s transparency had been recognized during the review process under the UNFCCC. All data was available on the web page, was consistent with the IPCC guidelines and was available to all stakeholders.
577. With respect to indigenous peoples, they would be one of the main beneficiaries of the project. Consultation had been very broad and consistent throughout the four years since 2013. FAO would ensure that during implementation all the ESS and Indigenous Peoples Policy requirements of GCF and FAO would be met.

578. The representative of the Secretariat informed the Board that the emission reductions would be retired and accounted for in Chile's NDC.

579. There being no further comments and no objections, FP120 was approved.

**Funding proposal 121 titled "REDD+ Results-based payments in Paraguay for the period 2015-2017", by the United Nations Environment Programme**

580. The Co-Chairs opened FP121 as contained in document GCF/B.24/02/Add.07 and Add.18/Rev.01.

581. A representative of the Secretariat introduced FP121. Paraguay's REDD-plus results for 2015–2017, with a total volume of 23 MtCO<sub>2</sub>eq, were presented to GCF. The presented results were analysed against the scorecard as required in the terms of reference and resulted in a final volume of GCF emission reductions of 14,145,000 tCO<sub>2</sub>eq, equivalent to USD 72,493,125. Due to the accreditation scope of the AE, the RBP amount under the funding proposal was limited to USD 50 million, corresponding to a GCF volume of emission reductions of 9,756,098 tCO<sub>2</sub>eq. They noted that the remaining RBP and corresponding emission reductions would be presented in a subsequent funding proposal.

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

583. The Board member from Germany expressed support for the proposal as part of the RFP. They noted concerns on the project area and the issue of monitoring, as observed for FP100. It was important to ensure close monitoring and that GCF funds were aligned with the mandate. While they understood the mechanism of the national climate change fund was still being finalized, they wished to propose an additional condition which had been consulted and agreed by Paraguay and the AE, the United Nations Environment Programme, already.

584. The Co-Chairs asked that this be circulated.

585. The condition read as follows: "Pursuant to paragraph 14 of the Terms of Reference for the Pilot Programme for REDD-plus, the AE shall provide, to the satisfaction of the GCF Secretariat, and prior to the implementation of the activities described in sub-output 2.2 of the Funded Activity, an operations manual for the implementation of sub-output 2.2 containing detailed eligibility criteria for the activities to be funded as well as the procedure for implementation of fiduciary, environmental and social safeguards consistent with GCF policies. Use of GCF Proceeds to finance the activities described in sub-output 2.2 of the Funded Activity shall be reported in the APRs submitted to the GCF Secretariat."

586. Another Board member commended the United Nations Environment Programme for the project and said they were pleased to see that Paraguay was accessing RBP. They hoped that the Government of Paraguay would continue to reduce deforestation. They expressed some concerns on deforestation and the years of 2015-2017, where a trend in deforestation was increasing. However, they noted that Paraguay had explained this further and accepted this explanation. They supported the funding proposal with the additional condition proposed.

587. A further Board member expressed support for the project. REDD-plus has been discussed under the UNFCCC for a long time, resulting in the Warsaw Framework for REDD-plus. They expressed satisfaction that Brazil, Ecuador, Chile and now Paraguay had moved forward with their REDD-plus efforts and commended the GCF pilot programme.

588. Further support for the proposal with the additional condition was expressed by another Board member. They also took note of the independent TAP information on the proceeds lacking information and noted support for these comments.

589. The Board member from Japan expressed support for the project with the additional condition proposed. They stated that the Japan International Cooperation Agency and the

Forestry and Forest Product Research Institute of Japan had provided technical assistance on forest monitoring in Paraguay and hoped that Japan's cooperation would contribute to this REDD-plus RBP project.

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

591. While acknowledging that reducing deforestation was an important mitigation measure, the active observer for CSOs noted that as the proposal itself acknowledged, recent policy trends in Paraguay make it unclear whether this RBP scheme would be able to effectively ensure that avoided emissions would indeed be secure. Even this year, the Senate of Paraguay rejected a zero-deforestation law given the importance of maintaining or even expanding agricultural production in the country, which was a key driver of deforestation. Therefore, CSOs had significant concerns about the risk of the reversal of these emission reductions and strongly encouraged additional language and concrete measures from the project proponents as to how this risk would be managed, including by increasing the risk buffer above the proposed 18 per cent.

592. In this context, they also stated that it was important to note the potential perverse incentives of how the current GCF REDD-plus RBP pilot programme payment mechanism may trigger funding applications in contexts such as this one where virtually no effort had been made to contribute to climate change mitigation. They also noted that this scheme provided an incentive for governments to increase deforestation in the short term so as to obtain a more favourable FREL.

593. Related to this topic, they noted that the independent TAP had raised a number of concerns about the methodological process used for calculating the FREL. While it appeared that both the Secretariat and the independent TAP believed these issues had been resolved to the best of the applicant's ability in this case, this underscored a need for greater investment in both technical capacity and skills to perform these assessments in the future.

594. Furthermore, there was insufficient clarity in this specific proposal regarding the extent to which indigenous peoples and other key actors, especially the local community, were included in the formulation of this project. While CSOs acknowledged that some meetings had been held with a specific national network of indigenous peoples, they did not believe that these were sufficient to fulfil the mandate of the Indigenous Peoples Policy to ensure free, prior and informed consent.

595. In this context, it was no surprise that the proposal remained vague about what precisely the proceeds from the RBP would be spent on, or under what conditions.

596. In order to proceed with FP121, they suggested that the Board add the following conditions:

- (a) Firm guarantees of permanence of results and firm commitments to address the main drivers of forest loss in general. In this sense, and also considering all the methodological flaws in the proposal, it was clear that a buffer of 18 per cent could not address the reversal of results and the buffer must therefore be increased accordingly;
- (b) Prior to project implementation, elements related to the National Climate Change Fund should be elaborated substantially, including specific details regarding:
  - (i) The technical assistance, which would be provided and how that capacity would be built;
  - (ii) Mechanisms to encourage the submission of project proposals from vulnerable groups, including women and indigenous peoples; and
  - (iii) Plans to develop and implement the project in a gender-responsive manner and including participation from indigenous peoples.

597. The Co-Chairs thanked the observer for their comments and asked the Board if they wished to approve the funding proposal with the additional condition proposed by the Board member from Germany, agreed by the proponents and supported by a number of Board members.

598. There being no further comments and no objections, FP121 was approved with the additional condition as presented.

**Funding proposal 122 titled “Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean”, by the Kreditanstalt für Wiederaufbau (KfW)**

599. The Co-Chairs opened funding proposal FP122 as contained in document GCF/B.24/02/Add.08 and Add.18/Rev.01.

600. A representative of the Secretariat introduced FP122. The proposed programme would fund subprojects aimed at financing non-governmental organizations (NGOs) to undertake the identification, planning, financing and implementation of coastal management and protection measures to reduce or avoid the impacts of climate change through ecosystem-based adaptation (EbA) for vulnerable coastal populations. It would also finance subprojects that would protect and manage important marine and coastal ecosystems, including mangrove reforestation, seagrass rehabilitation, and rehabilitation of beach vegetation and coral reefs; and enhancing knowledge, expertise and capacity of relevant national agencies in using EbA approaches for climate resilient coastal zone management. The Blue Action Fund (BAF) would launch specific open calls for proposal, with subprojects to be implemented by participating NGOs in Madagascar, Mozambique, South Africa and the United Republic of Tanzania.

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

602. A Board member noted that the islands of the Comoros, Mauritius, Réunion, Rodrigues and the Seychelles were also in the region targeted by the programme but had not been mentioned in the funding proposal. They asked what approach would be taken with regard to these islands, given that they were also affected by sea-level rise.

603. The Board member from the SIDS expressed their appreciation for the programme, noting that it sent an encouraging message to island States. The ocean territory of many of these countries covered a much larger area than that covered by their islands. Nature- and ecosystem-based solutions allowed large ocean States to bring to bear a far greater impact in addressing climate change than their small land territories would permit.

604. A Board member from the African States also welcomed the programme. They emphasized that its focus on community-based organizations and NGOs would greatly enhance country ownership and have a transformative impact.

605. The active observer for CSOs said that they supported the programme overall and expressed appreciation for the decision of the BAF to work exclusively with NGOs. They noted with concern, however, that the programme appeared to rely overwhelmingly on international NGOs and not to utilize local knowledge. There had been no programme-specific consultation to ensure that subprojects would align with existing adaptation actions in the proposed target areas. No engagement had occurred in South Africa, for instance, where the South Africa National Biodiversity Institute, a GCF DAE, had been tasked in 2017 with developing guidelines for EbA in the country. The observer also voiced concerns regarding subproject selection criteria related to the calculation of emission reductions. This was not appropriate for an EbA project and could inhibit the ability of some local organizations to participate. The same applied to the requirement for co-financing or in-kind contributions of 25 per cent, which would favour better resourced international NGOs.

606. The observer noted that calls for proposal under the programme would have to comply with GCF gender standards. Highlighting that the BAF had been in operation since 2016, the observer welcomed the fact the programme would therefore lead to more gender-responsive activities in the existing allocation approach of the executing entity. In a similar vein, the active observer called for the programme to explicitly reference compliance with the GCF Indigenous Peoples Policy. The funding proposal was currently silent, for example, on the potential impact and involvement of the pastoralist Iparakuyio community in the United Republic of Tanzania. Finally, the AE and BAF should be requested to conduct stakeholder consultations before subprojects were selected in order to ensure that they aligned with needs and draw on local experience.

607. The Board member from the African States noted their opposition to two points raised by the active observer for CSOs. They expressed their strong support for the inclusion of South Africa in the programme, noting that the programme covered a continuous region and that South African actors could help to strengthen the capacities of other programme partners. The Board member underlined that all local communities in the United Republic of Tanzania would be engaged, as had been the case in similar projects in the past.

608. A representative of the AE was invited to respond.

609. Underlining the importance of SIDS and other islands in the programme region, the representative informed the Board that the first open call for proposals under the BAF had targeted SIDS. The BAF was globally established and open to add further countries to its portfolio. GCF had requested that this programme focus on specific countries, which was why these four countries had been prioritized. The representative explained that the stakeholder engagement process was a significant part of the subprojects, and local communities would be consulted on an iterative basis. The call for proposals would be open to all NGOs, and a mix of national and local organizations would be sought. Local NGOs were already involved in the delivery of two BAF projects in the United Republic of Tanzania, and a project in South Africa was being implemented exclusively by local NGOs. Lastly, the representative explained that BAF was already engaged in gender mainstreaming, and its reporting matrix included indicators that were centred on women. Further efforts in this area would be accelerated thanks to the support of GCF.

610. There being no further comments and no objections, FP122 was approved.

**Extension of deadline to funding proposal 104 titled “Status of approved funding proposals: Extension of deadline in respect of FP104 (Nigeria Solar IPP Support Program)”**

611. The Co-Chairs drew the Board’s attention to the limited distribution document GCF/B.24/05 titled “Status of approved funding proposals: Extension of deadline in respect of FP104 (Nigeria Solar IPP Support Program)”.

612. They informed the Board that, in accordance with the Policy on Restructuring and Cancellation, the Secretariat was mandated to grant an extension of a deadline. Under the policy, any further extension must come to the Board.

613. They opened the floor for comments.

614. A Board member asked for details on the number of megawatts of the project.

615. A representative of the Secretariat informed the Board that it was 400 MW across four to five projects.

616. The Co-Chairs asked the Board if they wished to adopt the decision.

617. Hearing no further comments and no objections, it was so decided.

618. The Board took note of document GCF/B.24/02/Rev.02 and the addenda to the initial iteration of the document, GCF/B.24/02, Add.01–Add.08, Add.09/Rev.01, Add.12–Add.15 and Add.16/Rev.01 (general distribution); Add.10 and Add.11/Rev.01 (confidential distribution) and Add.17/Rev.02 and Add.18/Rev.01 (limited distribution) titled “Consideration of funding proposals”.

619. The Board also took note of document GCF/B.24/05 titled “Status of approved funding proposals: Extension of deadline in respect of FP104 (Nigeria Solar IPP Support Program)”.

620. The Board adopted the following decision, which includes the approval of funding proposal 082 pursuant to a vote in which 19 of the Board members present voted in favour and 2 of the Board members present voted against, and in respect of which 1 of the Board members present abstained from the vote:

#### *DECISION B.24/09*

*The Board, having considered document GCF/B.24/02/Rev.02 titled “Consideration of funding proposals”:*

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

- (i) *Funding proposal 082 titled “Catalyzing Climate Finance (Shandong Green Development Fund)”, by the Asian Development Bank, as contained in document GCF/B.24/02/Add.01, Add.10 and Add.18/Rev.01;*
- (ii) *Funding proposal 116 titled “Carbon Sequestration through Climate Investment in Forests and Rangelands in Kyrgyz Republic (CS-FOR)”, by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.24/02/Add.02 and Add.18/Rev.01;*
- (iii) *Funding proposal 117 titled “Implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management”, by the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH, as contained in document GCF/B.24/02/Add.03 and Add.18/Rev.01;*
- (iv) *Funding proposal 118 titled “Building a Resilient Churia Region in Nepal (BRCRN)”, by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.24/02/Add.04 and Add.18/Rev.01;*
- (v) *Funding proposal 119 titled “Water Banking and Adaptation of Agriculture to Climate Change in Northern Gaza”, by the Agence Française de Développement (AFD), as contained in document GCF/B.24/02/Add.05 and Add.18/Rev.01;*
- (vi) *Funding proposal 120 titled “Chile REDD+ RBP for results period 2014-2016”, by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.24/02/Add.06 and Add.18/Rev.01;*
- (vii) *Funding proposal 121 titled “REDD+ Results-based payments in Paraguay for the period 2015-2017”, by the United Nations Environment Programme, as contained in document GCF/B.24/02/Add.07 and Add.18/Rev.01;*
- (viii) *Funding proposal 122 titled “Blue Action Fund (BAF): GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean”, by the Kreditanstalt für Wiederaufbau (KfW), as contained in document GCF/B.24/02/Add.08 and Add.18/Rev.01;*
- (ix) *Simplified approval process (SAP) funding proposal 008 titled “Extended Community Climate Change Project-Flood (ECCCP-Flood)”, by the Palli Karma-*

- Sahayak Foundation (PKSF), as contained in document GCF/B.24/02/Add.12 and Add.18/Rev.01;*
- (x) *Simplified approval process (SAP) funding proposal 009 titled “Building resilience of urban populations with ecosystem-based solutions in Lao PDR”, by the United Nations Environment Programme, as contained in document GCF/B.24/02/Add.13 and Add.18/Rev.01;*
  - (xi) *Simplified approval process (SAP) funding proposal 010 titled “Multi-Hazard Impact-Based Forecasting and Early Warning System for the Philippines”, by the Landbank of the Philippines, as contained in document GCF/B.24/02/Add.14 and Add.18/Rev.01;*
  - (xii) *Simplified approval process (SAP) funding proposal 011 titled “Climate-resilient food security for women and men smallholders through integrated system-based risk management”, by the World Food Programme, as contained in document GCF/B.24/02/Add.15 and Add.18/Rev.01;*
  - (xiii) *Simplified approval process (SAP) funding proposal 012 titled “Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture”, by the International Fund for Agricultural Development, as contained in document GCF/B.24/02/Add.16/Rev.01 and Add.18/Rev.01; and*
- (b) *Approves, pursuant to a vote in which 19 of the Board members present voted in favour and 2 of the Board members present voted against, and in respect of which 1 of the Board members present abstained from the vote, funding proposal 082 for the amount of USD 100,000,000, submitted by the Asian Development Bank, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*
- (c) *Decides, pursuant to the above-mentioned vote, in respect of funding proposal FP082, that the Asian Development Bank may seek further approval of the Board at meetings of the Board or through decisions between meetings of commitment of further funding in an amount, when aggregated with the amounts previously approved by the Board, no greater than USD 180,000,000, subject to the conditions set out in annex XIV;*
- (d) *Approves funding proposal 116 for the amount of USD 29,988,520, submitted by the Food and Agriculture Organization of the United Nations, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*
- (e) *Also approves funding proposal 117 for the amount of EUR 15,160,596, submitted by the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*
- (f) *Further approves funding proposal 118 for the amount of USD 39,299,905, submitted by the Food and Agriculture Organization of the United Nations, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*
- (g) *Approves funding proposal 119 for the amount of EUR 23,709,782, submitted by the Agence Française de Developpement, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*
- (h) *Also approves funding proposal 120 for the amount of USD 63,607,552, submitted by the Food and Agriculture Organization of the United Nations, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;*

- (i) Further approves funding proposal 121 for the amount of USD 50,000,000, submitted by the United Nations Environment Programme, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (j) Approves funding proposal 122 for the amount of EUR 30,000,000, submitted by the Kreditanstalt für Wiederaufbau (KfW), subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (k) Also approves simplified approval process (SAP) funding proposal 008 for the amount of USD 9,681,340, submitted by the Palli Karma-Sahayak Foundation, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (l) Further approves simplified approval process (SAP) funding proposal 009 for the amount of USD 10,000,000, submitted by the United Nations Environment Programme, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (m) Approves simplified approval process (SAP) funding proposal 010 for the amount of USD 9,999,042, submitted by the Landbank of the Philippines, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (n) Also approves simplified approval process (SAP) funding proposal 011 for the amount of USD 9,250,000, submitted by the World Food Programme, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (o) Further approves simplified approval process (SAP) funding proposal 012 for the amount of EUR 8,500,000, submitted by the International Fund for Agricultural Development, subject to the conditions set out in annex XIV and in the respective term sheet set out in document GCF/B.24/02/Add.18/Rev.01;
- (p) 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
- (q) 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.

621. The Board also adopted the following decision:

#### DECISION B.24/10

The Board, having considered the limited distribution document GCF/B.24/05 titled “Status of approved funding proposals: Extension of deadline in respect of FP104 (Nigeria Solar IPP Support Program)”:

- (a) Decides to extend the deadline until 23 February 2020 for the submission by the accredited entity of a certificate or legal opinion, in form and substance satisfactory to the Secretariat, 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 for the following approved funding proposal:

- (i) *FP104, titled “Nigeria Solar IPP Support Program”.*

## **Agenda item 15: Consideration of accreditation proposals**

622. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/07/Rev.01 and its limited distribution addenda Add.01–Add.04 titled “Consideration of accreditation proposals”.

623. 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.

624. The Board member from the United Republic of Tanzania, Mr. Richard Muyungi, stated that he wished to recuse himself from making interventions regarding applicant 091. The Board member from Australia, Ms. Sarah Goulding, recused herself on applicant 096.

625. The Co-Chairs invited a representative of the Secretariat to introduce the item.

626. The representative provided an update on the status of accreditation including:

- (a) The accreditation pipeline as at 12 November 2019;
- (b) The status of AEs seeking an upgrade in their accreditation scope as at 12 November 2019;
- (c) The approach of the Secretariat and the Accreditation Panel in line with decision B.23/11, paragraph (b), to prioritize certain types of entities. This prioritization was due to conclude at B.24;
- (d) Support for DAEs, including the GCF Global Programming Conference in August 2019, and planned visits to GCF Headquarters by DAEs to provide deeper engagement; and
- (e) An overview of recommended entities at B.24.

627. The Co-Chairs invited the Chair of the Accreditation Panel, Ms. Anastasia Northland, to provide a brief overview.

628. The Chair of the Accreditation Panel made the following remarks:

- (a) Seven entities were being presented to the Board, comprising five DAEs and two international access entities (IAEs). Of the five DAEs, two were from countries that did not yet have a DAE and four were private sector entities. This reflected the fact that the Accreditation Panel was working to meet the Board’s requirement to increase the number of private sector entities;
- (b) The Accreditation Panel found that the recommended entities represented a broad range of sizes, project activities, environmental and social risk categories and intermediation functions; three of the seven entities fully met GCF gender requirements;
- (c) The Accreditation Panel conducted site visits to three DAEs and one IAE in order to assist them in strengthening their institutional capacity and readiness to meet GCF standards; and
- (d) The Accreditation Panel had continued to take a fit-for-purpose approach. Accordingly, it had placed conditions on some of its recommendations.

629. At the request of the Co-Chairs, the representative of the Secretariat read the names of each of the applicants aloud.

630. Noting that the total number of AEs was approaching 100, a Board member asked how the Secretariat proposed to manage the number and variety of GCF entities.

631. The Co-Chairs said that this matter could be discussed under agenda item 17 on the accreditation framework.
632. The active observer for CSOs requested to take the floor and sought clarification on whether they should name specific entities in their comments.
633. A Board member raised a point of order. Noting that applicant entities operated in a marketplace where they competed with other organizations, the Board member said that entities should not be identified by name in Board discussions. This had become the established practice of the Board. Naming them would put them at a disadvantage and could discourage entities from developing countries from applying for accreditation.
634. Noting that OGC had also proposed that the observer refrain from referring to entities by name, the Co-Chairs requested that the active observer take into account the Board member's remarks.
635. Several Board members said that the observer should submit their comments in advance of Board meetings. One of these added that anonymized comments would not be helpful for the discussion of the Board. A further Board member expressed support for this view and proposed that the observer either use the names of the entities or their applicant numbers.
636. The Board member who had raised the point of the order said that general comments from the CSOs would help to inform the decisions of the Board. These comments could cover the types of entities applying for accreditation, the nature of their business and their portfolios. If entities were to be named, representatives of the entities should be invited into the Boardroom in order to respond to any criticisms made.
637. On the basis that the entities were not present, the Co-Chairs invited the observer to anonymize their comments.
638. The active observer for CSOs began with some general remarks. They expressed their support for the prioritization of DAEs but noted that entities should not be accredited solely on the basis of qualifying for direct access to GCF. Noting that certain entities had not yet published new policies and standards in areas such as ESS and gender, the observer urged the Secretariat to disclose these documents. They welcomed the fact that the Accreditation Panel had placed conditions for accreditation in areas such as gender, ESS and GRMs. They also expressed appreciation for the commitment made by the IRM to help to build capacities for the GRMs of AEs.
639. The observer made the following specific remarks in relation to four entities, which were not identified by name or applicant number:
- (a) They expressed concerns regarding the application from a large international entity that had an export credit agency as a subsidiary. There was therefore a risk that GCF funds would reach that agency. GCF should not provide funds to export credit agencies, which were designed to promote domestic companies doing business abroad;
  - (b) Another recommended entity was a subsidiary of an infrastructure development company. The parent company had experienced major financial problems, which had impacted significantly on the domestic banking sector in 2018. The forensic auditors and fraud office had admitted that some of the concerns regarding the company had yet to be fully addressed. Conditions had been placed on accreditation, but these were not adequate given that they only applied to the applicant. They did not provide cover for the risks of problematic financial transactions and corruption in the parent company, which could affect the subsidiary. Comparing the entity to those affected by the 2008 global financial crisis, the observer underscored the risks of accreditation. Finally, the observer noted concerns regarding the waste-to-energy focus of the entity on the basis that this technology was highly polluting;

- (c) A third entity gave considerable cause for concern in terms of its financial stability. It was significantly impacted by rising stress in the national credit markets owing to the debt defaults of the parent company of the applicant mentioned above. The entity had seen an 81 per cent decline in its stock price and was experiencing difficulties in raising capital. Finance experts were not optimistic regarding the company's future. The observer recommended that the Accreditation Panel carry out further assessments in light of these market events; and
- (d) Finally, the observer said that the application from one of the entities was misleading. It had not demonstrated adequate experience in applying its ESS standards and gender policy. In addition, the entity's ability to build expertise in these areas was negated by the fact that it intended to apply its newly developed ESS and gender policies exclusively to GCF projects. The observer further noted that the entity had real estate investments that did not have a climate component; it invested in luxury real estate and gentrification rather than in green design. While its energy fund had investments in hydropower, these were primarily made at a late stage of project development, so it did not have to address environmental or social concerns. The observer stressed that the accreditation of a private equity firm of this kind could pose a reputational risk for GCF.

640. Noting the seriousness of the criticisms made by the active observer for CSOs, a Board member raised concerns regarding GCF due diligence. They proposed that the Secretariat and the Accreditation Panel consider the comments made by the observer in more detail, given that these appeared to be more thorough than those presented in the Board documents. Another Board member requested further information regarding the site visits conducted by members of the Accreditation Panel, including whether or not they met with other organizations from civil society and academia. Given that Board members were often unfamiliar with applicant entities, it was important that they had full confidence in the work and recommendations of the Panel.

641. Noting that the Accreditation Panel acted in accordance with the guidance of the Board, the Co-Chairs invited the Chair of the Accreditation Panel to respond.

642. Ms. Northland explained that the Panel had been aware of the concerns raised by the active observer but had found evidence during the accreditation review process to support their recommendations. This evidence could be shared in further detail with the Board. As part of the due diligence process, the Accreditation Panel interacted extensively with entities online and consulted documentation by third parties. Site visits had been conducted in all but one of the cases addressed by the observer. These visits included meetings with the entities, and sometimes with the NDAs as well. The Accreditation Panel had limited resources, and consultations with other organizations did not form part of its terms of reference.

643. A Board member stressed that GCF should place its confidence in NDAs, who were responsible for nominating entities that would develop projects aligned with national priorities. CSOs played an important role in informing the GCF policy framework. The Board should therefore note the observer's remarks and trust the Accreditation Panel to address them in its interactions with the entities as part of its due diligence.

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

645. The Board member who had noted the seriousness of the active observer's criticisms said that they objected to the draft decision. Highlighting that the Board had in the past approved entities that had been subject to fines, they said that the Board should ensure the concerns raised were adequately investigated as part of its fiduciary responsibility. They stressed that GCF had sufficient AEs and that time could be taken in conducting more thorough due diligence. They proposed that the Accreditation Panel meet with the active observer for CSOs on the margins of the meeting in order to identify the entities in the batch that required

further due diligence. These could potentially be submitted again at B.25. At the current meeting, the Board could approve those entities that did not give cause for concern.

646. Another Board member said that they were also uncomfortable with adopting the draft decision. They proposed suspending the agenda item to provide the Accreditation Panel with the opportunity to withdraw recommendations in light of the criticisms made. The entities in question should also have a chance to respond. A further Board member stressed that because the information had not been provided in advance it was difficult to know whether the anonymized remarks applied to the entire batch of entities under consideration. Another Board member shared this concern; they reminded the Board of the importance of this particular batch of entities, which comprised five DAEs.

647. Two Board members said the Board should note the observer's comments and accredit all the entities under discussion on the basis that they had been subject to all GCF procedures. One of these Board members said that GCF was required to take calculated risks and manage these through its agreements and policies. If GCF was too stringent, it would not be able to accredit any entities at all. Noting that an objection had been made, they urged the Co-Chairs to consider the options available in exhausting efforts to reach a consensus, and, if necessary, to move to a vote.

648. The Co-Chairs proposed that the Board enter an executive session in order to be able to discuss in detail the concerns relating to specific entities.

649. Two Board members expressed an objection to entering into an executive session. One of these explained that this would set a precedent for taking such an approach following an intervention from the active observer for CSOs. They requested that the Co-Chairs conduct consultations with the Board member objecting to the decision.

650. The Co-Chairs noted that more than one Board member had expressed reservations regarding the decision. As a way forward, they proposed inviting the Secretariat and members of the Accreditation Panel to provide further information on the due diligence work carried out. The applicants would be referred to by number rather than by name.

651. The representative of the Secretariat outlined the overall accreditation process, which comprised:

- (a) Stage I: an assessment regarding the applicant's capacity to enter legal agreements with GCF, and a completeness check regarding information on policies, standards, procedures and track record;
- (b) Stage II (Step 1): a review by the independent Accreditation Panel as appointed by the Board to conduct such due diligence, including technical assessments regarding fiduciary, ESS and gender requirements;
- (c) Stage II (Step 2): the Board decision; and
- (d) Stage III: the legal agreement (AMA) between GCF and the AE.

652. The Chair of the Accreditation Panel made the following clarifications relating to the due diligence carried out with regard to applicant 092:

- (a) Concerns had been raised regarding its experience in and application of ESS and gender policies and standards. The ESS and gender policies had been modified to meet GCF requirements. The ESS procedures had, in fact, already been applied to a project approved by the Board at B.23. (Ms. Northland clarified that the project in question had been designed by the current entity but was to be implemented by a separate organization.) The Accreditation Panel had therefore found that the entity had the capacity to apply Performance Standards 1 to 8 under the ESS; and

(b) Regarding the entity's investments, Ms. Northland said that it was not the case that the entity had no involvement in climate-related projects. The applicant managed a large portfolio, which included two private equity funds exclusively dedicated to renewable energy technologies. It was also engaged in real estate projects encompassing green, Leadership in Energy and Environmental Design-certified buildings. The Accreditation Panel had conducted site visits and checked the entity's track record. It was currently developing a dedicated fund for GCF projects and was intending to present a mixed portfolio of funding proposals at subsequent Board meetings.

653. Mr. Max Contag, a member of the Accreditation Panel, made the following remarks in response to concerns regarding applicant 093:

- (a) As the active observer for CSOs had noted, the entity was a subsidiary of a larger group that faced serious financial issues. The vast majority of these issues were at the level of the parent company and its financial and transportation subsidiaries. In light of this situation, the Accreditation Panel had not recommended the entity at the two previous Board meetings to allow time to ensure that it had sufficiently distanced itself from its parent company;
- (b) Mr. Contag had made a professional judgment to recommend the entity at B.24 based on a number of considerations: the government of the country where the parent company was located had replaced its entire board of directors; one of these directors was a former high-ranking government official with considerable experience in financial management; the applicant continued to conduct business operations and had recently been awarded a large-scale government contract on waste management;
- (c) In addition, the Accreditation Panel had placed specific conditions on its recommendation. It had requested the latest audited financial statements as well as a clear commitment from the applicant's managing director that it would unravel its relationship with the parent company over the subsequent two years;
- (d) The government of the country in question had decided to disband the conglomerate to which the entity belonged. There was evidence to suggest that the entity was highly prized among potential buyers as it had a robust business model. In addition, the entity had reassured the Accreditation Panel that if its assets were affected by any legal proceedings brought against the parent company, its primary obligation would be to its direct creditors; and
- (e) He stressed that the Accreditation Panel had acted responsibly in conducting its due diligence. The parallel drawn by the active observer with organizations affected by the 2008 global financial crisis was not valid. The Accreditation Panel had taken its time in establishing that the applicant was sufficiently distanced from the other entities within its group that were experiencing difficulties.

654. Regarding applicant 095, Mr. Godfrey Tumusiime, member of the Accreditation Panel, provided the following response:

The entity belonged to a larger group, which also included an export credit agency. As such, there was a firewall between the applicant and the export credit agency. The latter provided domestic businesses with export credit and insurance against political risks when operating abroad. The applicant entity served as the country's development cooperation agency. It had mature procurement policies and procedures that were compliant with GCF standards. In its review of the relationship between the applicant and the export credit agency, the Accreditation Panel did not see any risk of the entity's procurement operations being utilized to promote the country's export business.

655. Mr. Tumusiime also provided a response regarding concerns about the financial stability of applicant 094:

The entity was a commercial bank that had experienced problems with the regulator in 2018 owing to a lack of convergence in the assessment of non-performing assets. The applicant and the regulator had since achieved a convergence in their approaches. In addition, the entity's financial performance was less impressive in 2018 and it struggled to mobilize USD 12 billion on the market. However, these poor financial results should not prevent the entity from being accredited on the basis that it had performed well over the previous four years. The entity had good prospects and the Panel firmly believed it would be restored to financial health within a year.

656. Mr. Tumusiime further reassured the Board that the Accreditation Panel worked diligently and meticulously to ensure that the standards of the Board were upheld.

657. The Co-Chairs clarified that the members of the Accreditation Panel had been invited to make comments in order to ensure that Board members were fully informed when making their decision. They stressed that the Board had confidence in the work of the Accreditation Panel.

658. Noting that many conditions placed on the accreditation of the entities were to be met within a short time frame, a Board member requested clarification regarding the three-year deadline for applicant 092.

659. The Chair of the Accreditation Panel clarified that the Board member was referring to applicant 090. A longer deadline had been set because the assessment of the effectiveness of the entity's ESS system would be based on its operations as a GCF AE. Therefore, the applicant needed time to implement the system before it could be adequately evaluated.

660. The Co-Chairs asked Board members if they had any further questions or comments regarding the projects.

661. Seeing none, the draft decision was adopted.

662. The Board took note of document GCF/B.24/07/Rev.01 and its addenda Add.01–Add.04 titled "Consideration of accreditation proposals".

663. Several Board members made comments on the discussion.

664. The Chair of the Accreditation Committee expressed their gratitude for the explanations provided by the Accreditation Panel. These had helped clear up the doubts expressed by the Board. They also thanked Board members for accrediting five DAEs; direct access was a key modality that had been identified by developing countries. Another Board member welcomed the fact that two of the DAEs accredited were from LDCs.

665. Several Board members noted their unease regarding the shortcomings in the accreditation process that had come to light. One Board member said that the process required minor adjustments in order to avoid such discussions in the future. They said that the terms of reference for the Accreditation Panel should not inhibit interactions with a wider range of actors on the ground. Broader consultations were necessary in order to address the concerns and document responses at an earlier stage. They requested that the Accreditation Committee and the Accreditation Panel give thought to these suggestions.

666. Two Board members said that the discussion under the current item had not provided the Board with sufficient time to consider the concerns raised. Acknowledging that the matter came under the purview of the Accreditation Committee, one of these Board members underlined the Board's collective responsibility in improving the accreditation process. The other Board member recalled that the Board had committed at an earlier meeting to promoting the input and participation of stakeholders throughout the Board process with a view to strengthening the role that they play. They urged the Board to consider this commitment in future decision-making.

667. One Board member thanked the active observer for CSOs for bringing the concerns to light. They also stressed that they had complete confidence in the due diligence of the Accreditation Panel and the Secretariat. The explanations had underlined that their work was fully in keeping with the mandates of the Board. As a lesson learned from the current item, the Board member suggested that the Panel provide additional information in future regarding its concerns, the work carried out in addressing them and the rationale followed in making its recommendations. Another Board member supported this view, noting that the oral explanations provided by members of the panel had contained key information that was missing in the documentation.

668. The Board adopted the following decision:

*DECISION B.24/11*

*The Board, having considered document GCF/B.24/07/Rev.01 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 090 (APL090) is the National Committee for Sub-National Democratic Development Secretariat (NCDDS) based in Cambodia, as contained in annex XV;*
  - (ii) *Applicant 091 (APL091) is CRDB Bank Limited (CRDB) based in the United Republic of Tanzania, as contained in annex XVI;*
  - (iii) *Applicant 092 (APL092) is Finanzas y Negocios Servicios Financieros Limitada (FYNSA) based in Chile, as contained in annex XVII;*
  - (iv) *Applicant 093 (APL093) is IL&FS Environmental Infrastructure and Services Limited (IEISL) based in India, as contained in annex XVIII;*
  - (v) *Applicant 094 (APL094) is Yes Bank Limited (Yes Bank) based in India, as contained in annex XIX;*
  - (vi) *Applicant 095 (APL095) is Cassa Depositi e Prestiti S.p.A. (CDP) based in Italy, as contained in annex XX; and*
  - (vii) *Applicant 096 (APL096) is Save the Children Australia (SCA) based in Australia, as contained in annex XXI;*
- (b) *Approves the accreditation of applicants APL090, APL091, APL092, APL093, APL094, APL095 and APL096, pursuant to paragraph 45 of the Governing Instrument for the GCF, subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants and completion of Stage III of the accreditation by having an effective accreditation master agreement, in accordance with decision B.23/11;*
- (c) *Takes note that, pursuant to decision B.08/03, paragraph (k), the Secretariat, in consultation with the Accreditation Panel, is proposing that the eligibility to apply under the fast-track accreditation process be extended to those entities listed in annex XXII;*
- (d) *Decides that those entities referred to in annex XXII 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; and*
- (e) *Recalling decision B.21/15, paragraph (e), decides that future accreditation decisions by the Board should aim to bring forward accredited entities that fulfil the mandate consistent with the Governing Instrument on balance, diversity and coverage and advance*

*the objectives of GCF and, to that end, also decides to prioritize up to the end of the twenty-fifth 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 an accredited direct access national 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 proposal issued by the Green Climate Fund, 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.*

## **Agenda item 16: Updated Gender Policy and Action Plan 2020–2023**

669. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/15 titled “Updated Gender Policy and Gender Action Plan 2020–2023”. Since the publication of that document, a number of comments had been received from the Board members from Canada, France, Germany, Sweden and the United Kingdom of Great Britain and Northern Ireland. In line with their mandate from B.23, the Co-Chairs had updated the draft decision and annexes based on those comments. The revised document had been circulated to the Board.

670. The Co-Chairs outlined the changes. A new paragraph had been added to the draft decision text that confirmed that DAEs could receive support from the PPF in order to comply with the updated policy and action plan. Amendments had been made to principle 1 of the policy in order to reflect language in the existing Gender Policy and the GCF Environmental and Social Policy. In addition, references to the preamble and Article 7, paragraph 5, of the Paris Agreement had been included.

671. The Co-Chairs assured the Board that the draft decision text took account of differing national circumstances and noted that all GCF policies were published along with the covering decision as standard practice. They invited a representative of the Secretariat to make a presentation.

672. The representative explained that the updated Gender Policy and Gender Action Plan had been revised in accordance with decision B.23/09. The Secretariat had conducted a survey on the implementation considerations of the policy. This had been circulated to NDAs, focal points and AEs. According to the survey, the costs of preparing gender assessments were primarily met through AE resources and the PPF. The costs of implementing the gender action plans came mainly from AEs, GCF and national contributions. While 90 per cent of respondents indicated that GCF gender-related requirements were beneficial, many indicated the need for support in building the technical and financial capacities to fulfil the requirements.

673. The Co-Chairs opened the floor for an initial round of comments, noting that the item would be re-opened later in the day with a view to adoption.

674. A Board member thanked the Co-Chairs and all Board members who had engaged in consultations on the document. They welcomed the fact that the revised update better aligned with the Paris Agreement. They also expressed their appreciation to the Secretariat for providing data on the costs and benefits of implementing the policy. The Board member

welcomed the country ownership demonstrated by the high number of responses to the online survey from NDAs, focal points and AEs. The fact that 90 per cent of respondents considered GCF gender-related requirements to be beneficial demonstrated that GCF was on the right track in this area. However, the Board member noted their concern that almost 50 per cent of respondents had limited capacities to fulfil the requirements. They therefore welcomed the fact that the draft decision text included the provision of support for implementing the policy and action plan, which was particularly important for LDCs, SIDS and African States.

675. The Board member underlined the links between promoting an enhanced understanding of gender and improved quality of life, mortality reductions and livelihood benefits. While they acknowledged that this was not a perfect policy, they expressed their support for its adoption, noting that the process of Board deliberation since the call for an update at B.12 had given them a broader awareness of perspectives around the Board.

676. Several other Board members expressed their support for the updated Gender Policy and Gender Action Plan. They highlighted a number of points:

- (a) The considerable time and effort that had been invested in the update by Board members and the Secretariat;
- (b) The welcome inclusion of support to NDAs and DAEs in implementing the policy;
- (c) The importance of the document as an integral part of the GCF policy suite;
- (d) Its alignment with international standards; and
- (e) The centrality of gender-responsiveness in achieving sustainable and climate resilient development.

677. To underpin their support, two Board members cited the African Union Strategy for Gender Equality and Women's Empowerment, which stated that climate change had a disproportionate impact on women, given their greater reliance on natural resources for their livelihoods and a lower capacity to respond to natural hazards. The strategy also noted that climate change fuelled cases of sexual violence, nutrition-related disease and migration, all of which had gender-related dimensions. The two Board members also said that the updated policy would ensure that GCF focused on vulnerable people and communities and supported climate-resilient development.

678. One Board member in favour of adopting the decision called for Article 7, paragraph 5, of the Paris Agreement to be cited in its entirety in order to provide context and clarity. Noting that their copy of the decision and annexes contained printing errors, another Board member asked for reassurance that the language used under principle 1 of the policy was the same as that used in the existing policy.

679. The Co-Chairs provided this reassurance, noting that the only change to this section had involved replacing a reference to the Millennium Development Goals with a reference to the Sustainable Development Goals.

680. The active observer for CSOs expressed their profound disappointment regarding the gender policy. They noted that they had not had the opportunity to review in detail the version that had just been circulated but acknowledged that it appeared to exhibit some improvement over document GCF/B.24/15. They said that the policy paid lip service to the issue of gender and represented a retreat from the initial ambitions of GCF in producing such a policy. The document shied away from challenging existing structures and from integrating gender equality into efforts to shift the paradigm towards low-emission and climate-resilient pathways. The observer highlighted a number of specific shortcomings in the policy: it did not include a definition of gender or require activities to be gender-responsive; it did not set meaningful requirements with regards to monitoring, reporting and accountability; and it failed to meet the mandates set out in the Governing Instrument and the UNFCCC. The observer stressed that,

under the policy, the Board was not fulfilling its obligation to ensure that GCF funding benefited the most vulnerable and marginalized people, who were overwhelmingly women.

681. A Board member took a broad view of gender, noting that it was a critical aspect of the sustainable development agenda of SIDS. In SIDS, there had been great progress in promoting gender empowerment and equality, which was a multiplier for achieving transformational impact. While they acknowledged the comments of the active observer for CSOs, they stressed that the adoption of the updated policy and action plan would not preclude SIDS from aspiring to a higher threshold in advancing gender issues. Noting the efforts made in formulating a gender policy that met with the consensus of the Board, they expressed their support for the document.

682. Two Board members requested improvements to the draft decision and policy before it could be adopted.

683. One of these Board members expressed regret at the delay in adopting an updated policy and action plan. It was essential that the Board achieved consensus on this key issue for women. It would provide an important foundation for the work of GCF and its stakeholders in accordance with COP guidance and the Paris Agreement. They stressed that the policy should not prohibit access to GCF funding, given that such access helped improve the situation of women and close the gender gap. They therefore proposed including a clause in the policy that stipulated that any denial of access to resources intended to be used to empower women in developing countries represented a violation of their human rights. The policy should not broaden the scope of the concept of gender but ensure consistency with the commitments made on the matter under the Paris Agreement. The Board member stressed the policy should be pragmatic and implementable. They thanked the Co-Chairs and colleagues for incorporating some of their suggestions into the current document.

684. The other Board member expressed the wish that the title of the policy had referred to women and girls, given its focus. They stressed that the policy should not represent a precondition for funding proposals but should be intended to support capacity-building in developing countries. In addition, the Board member requested that the reference to individual country circumstances in the draft decision be included in the policy itself. They said that the draft decision should be distributed along with the annexes. The policy should not be prescriptive in its approach to gender. The vulnerable groups referred to in the policy should be specified; while the Paris Agreement referred to such groups, they were mentioned in that document in a different context. Finally, in the section outlining the guiding framework for the policy, the term “among others” should be deleted or the relevant documents should be explicitly stated.

685. The Co-Chairs thanked Board members for their comments and invited the Executive Director to respond.

686. The Executive Director recalled that since B.23 all funding proposals submitted for consideration by the Board had included gender assessments and action plans. No funding proposals had been delayed on account of the preparation of these sections. GCF gender-related requirements were not a barrier for access to GCF resources; on the contrary, most GCF partners agreed that gender assessments and action plans helped to improve the quality of funding proposals and enabled speedier access to GCF resources. The Executive Director underscored that GCF assisted its partners, including DAEs, NDAs and focal points, in building their gender capacities, for example through the development of a gender mainstreaming toolkit. If the updated Gender Policy and Gender Action Plan were approved, the Secretariat would update this toolkit and respond to the needs identified in the online survey. Regarding the question relating to the inclusion of text from the decision in the policy, he confirmed that the two elements were treated as a package.

687. The Board member who had proposed introducing a clause on access to resources outlined further proposals for changes:
- (a) The draft decision text should include language relating to the provision of capacity-building;
  - (b) The paragraph on DAEs and the paragraph on NDAs should be placed in reverse order;
  - (c) The reference to “individual country circumstances” should apply to the paragraph on DAEs;
  - (d) The references to vulnerable groups and communities should be clarified;
  - (e) In the first paragraph, under principle 1, the phrase “among others” should be deleted; and
  - (f) In the second paragraph, in the same section, the list of international agreements should be removed on the basis that it was not exhaustive and included agreements to which some countries were not signatories.
688. Another Board member requested that further changes be discussed on the margins of the meeting.
689. The Board member proposing the changes agreed to take this approach.
690. Noting that the list of international agreements was included in the original Gender Policy, a further Board member said that this should not be removed from the updated version.
691. The Co-Chairs noted that it was possible to make amendments to the original text in the updated version. They thanked the Board members for their comments and invited those raising concerns to meet with the Co-Chairs on the margins of the meeting.
692. The item was suspended.
693. The Co-Chairs re-opened the item on the last day of the meeting and noted that an updated draft of the decision and annexes had been distributed.
694. They introduced the changes. In particular, two footnotes had been added to the principles section. One stated that not all Parties to the UNFCCC were Parties to the international arrangements listed. The other provided a definition of “vulnerable groups” taken from the GCF Environmental and Social Policy.
695. The Co-Chairs invited the Board to adopt the draft decision.
696. A Board member wished to highlight some concerns that had not been fully captured in the amendments. The policy should not be implemented in a manner that would result in the denial of access to GCF resources; nor should it be used as a conditionality for funding.
697. The Co-Chairs assured the Board member that these points would be recorded in the meeting report.
698. There being no further comments and no objections, the draft decision was adopted.
699. The Board took note of document GCF/B.24/15 titled “Updated Gender Policy and Gender Action Plan 2020–2023”.
700. After the decision had been adopted, the Board member from the United States requested to read a statement. It was agreed with the Co-Chairs that, in the interests of saving time, the Board member would read a summary of the statement and submit the full statement in writing to the Secretariat to be included in the report.<sup>2</sup>

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<sup>2</sup> Statement by the United States on the updated Gender Policy and Gender Action Plan 2020–2023:

701. The Board member who had highlighted their concerns immediately before the adoption of the draft decision emphasized that the footnote referring to UNFCCC Parties that were not Party to other instruments listed should be observed by GCF and all entities engaging with it.

702. The Board adopted the following decision:

*DECISION B.24/12*

*The Board, having considered document GCF/B.24/15 titled “Updated Gender Policy and Gender Action Plan 2020–2023”:*

- (a) Takes note of the Secretariat’s report of the survey findings on the direct costs and benefits associated with the implementation of the policy and acknowledges the progress made in the implementation of the Gender Policy and Gender Action Plan as presented in section III of annex V to the document;*
- (b) Also takes note of the gender action plan of the United Nations Framework Convention on Climate Change and related matters regarding gender-sensitive and gender-responsive climate policy;*
- (c) Requests the Secretariat, in its annual reports to the Board, to provide a GCF-focused implementation perspective related to gender-responsive climate policy;*
- (d) Confirms that, in order to support capacity-building to access GCF resources:*
  - (i) National designated authorities and focal points may request readiness and preparatory support from GCF to develop and/or strengthen their capacities, policies, procedures and competencies to meet the requirements of the updated Gender Policy of the GCF and the Gender Action Plan of the GCF 2020–2023; and*
  - (ii) Direct access entities may request support from the Project Preparation Facility to support the project-level requirements of the updated Gender Policy of the GCF and Gender Action Plan 2020–2023;*
- (e) Adopts the updated Gender Policy of the GCF as presented in annex XXIII, acknowledging the progress made in advancing gender balance and gender equality within the context of*

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“The United States recognizes that societies that empower women economically and politically are more prosperous and peaceful and is committed to investing in women’s empowerment and equality between women and men. We believe that women have an instrumental role to play in developing and implementing meaningful programs that advance environmental-related goals, and that gender equality is fundamental to the full and equal enjoyment of all human rights.

The United States joins consensus on this policy with the express understanding that the policy does not imply that States must implement obligations under instruments to which they are not a party, and that States are not bound by any instruments to which they are not a party.

The United States is not a party to the Convention on the Elimination of All Forms of Discrimination against Women, or certain International Labour Organization core conventions.

Furthermore, to the extent that it is implied in this policy, the United States does not recognize the creation of any new rights we have not previously recognized; the expansion of the content or coverage of existing rights; or any other changes to its or other States’ obligations under the current state of treaty or customary international law or under the current state of domestic law that implements such treaty or customary international law. We also note that the Universal Declaration of Human Rights does not create binding obligations on States.

Additionally, we understand the reference in the policy to the “sustainable development goals” to refer to the 2030 Agenda for Sustainable Development. The United States supports the spirit of the 2030 Agenda for Sustainable Development as a framework for development and will continue to be a global leader in sustainable development through our policies, partnerships, innovations, and calls to action. We underscore that the 2030 Agenda is a non-binding document that does not create rights or obligations under international law.

In joining consensus today on the gender policy, the United States reiterates our commitment to empowering women. We are pleased that the policy affirms the equality of women and men, and emphasizes the critical importance of equal access of women and men to the Fund’s services in order to adapt to and mitigate against the impact of climate change.”

*climate change policies and in line with individual country circumstances when applying said policy;*

- (f) Also adopts the Gender Action Plan of the GCF 2020–2023, as contained in annex XXIV; and*
- (g) Requests the Secretariat to implement the Gender Action Plan for the period of 2020 to 2023 and the associated gender indicators, as contained in annexes XXIV and XXV, respectively.*

## **Agenda item 17: Matters related to the accreditation framework**

703. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/06 titled “Matters related to the accreditation framework”.

### **Part I**

704. The Co-Chairs invited the Chair of the Accreditation Committee to introduce the item.

705. The Chair of the Accreditation Committee reminded the Board that decision B.23/11 had deferred consideration of the updated accreditation framework and the PSAA to B.24. The Board document contained two key items: the reaccreditation process and the PSAA. The Chair outlined the key processes and timelines involved and summarized the content of the draft decision. They further highlighted that a correction had been made to the figure in paragraph 17 of annex II to the document; the reaccreditation term now began at AMA effectiveness rather than following the accreditation decision of the Board.

706. The Co-Chairs thanked the Chair for the presentation and opened the floor for comments.

### **Reaccreditation**

707. Several Board members underlined the importance of accreditation for GCF, in particular the need to adopt a reaccreditation process in order to ensure that there were no gaps in the delivery of projects. One Board member underlined that it was essential that the Board reach a decision on the matter at the current meeting.

708. A Board member said that GCF should learn lessons from the current accreditation process, which was excessively bureaucratic and had driven away many domestic private firms as well as national and regional financial institutions. Two Board members said that all the standards of the accreditation process should also apply to reaccreditation. One of these requested that this be stated explicitly in the document. The other Board member underscored that this must include the Indigenous Peoples Policy as well as policies relevant to the IRM. They said that an efficient reaccreditation processes was critical to ensuring that AEs maintained their commitment to upholding GCF fiduciary, environmental and social standards.

709. A number of Board members said that the document needed to clarify the implications of non-performance on the part of entities for their reaccreditation. They highlighted various areas of performance in this regard, including AMA conclusion and effectiveness, the submission of concept notes and funding proposals, and the status of closure of conditions placed on the initial accreditation.

710. One Board member urged caution regarding the reaccreditation of entities that had not yet submitted concept notes or funding proposals or had not signed AMAs or FAAs. Another noted with concern that 51 of 88 AEs had not yet been allocated funding. In addition, 25 had not submitted entity work programmes. A further Board member stressed that it was important to ask the right questions of entities in order to ensure a portfolio of AEs that would best meet the

objectives of GCF. They requested clarification as to what procedures were proposed for AEs with approved funding proposals who either decided not to apply for reaccreditation or applied but were not successful. Noting their concern that two entities that had been accredited at B.12 had not yet signed AMAs, one Board member asked the Secretariat to consider whether a deadline should be introduced to bring the process to a close.

711. Regarding section II of annex II on the approach to the reaccreditation process, one Board member requested clarification on the need for midterm reviews by GCF and annual self-assessments by AEs, noting with concern that these would place a burden on entities. In the same section, another Board member wished to know what was meant by the statement that any new or amended standards during the five-year accreditation period of an AE would be assessed “no earlier than the reaccreditation review of the AE”.

712. Noting that DAEs faced particular challenges in programming resources, a Board member said that their circumstances should be better taken into account in reaccreditation than was currently for the case.

713. Two Board members urged the Board to reconsider the appropriateness of decision B.23/11, paragraph (a), which had moved the start of the accreditation term to the date of effectiveness of the AMA. This created a situation in which entities were permitted not to conclude their AMAs. There was no point in having such entities on GCF books.

714. Two Board members expressed the hope that the Secretariat would deliver on the time frame of six months in reaccrediting entities and that this would not impact on the standard accreditation process and PSAA. Another member said that six months was not sufficient to adequately examine applications for reaccreditation. They asked for clarification on the appropriateness of this timescale and proposed extending it to 9 or 12 months. A further Board member suggested that the first accreditation term of AEs could be extended if the reaccreditation process took longer than six months. Another Board member wished to know the staffing implications for the simultaneous processing of accreditation and reaccreditation applications.

715. Two Board members said that the process should be driven by the Secretariat, with little or no involvement from the Accreditation Panel, whose terms of reference did not provide for a role in reaccreditation.

716. The active observer for CSOs expressed their profound concern that the Indigenous Peoples Policy had not been mentioned under the proposed reaccreditation process. It was essential to consider the ability of an AE to comply with the policy during reaccreditation. The GRMs of AEs should also be assessed. They welcomed the fact that one Board member had raised these points.

717. The observer recalled decision B.11/10, annex I, paragraph 35, on the monitoring and accountability framework for AEs, which stipulated that the reaccreditation decision should take into account the evolution of an entity’s overall portfolio in terms of its contribution to paradigm shift. They noted with concern that baselines had not yet been established, which would make it difficult for the Secretariat and the Accreditation Panel to make a well-founded assessment of AE portfolio performance.

718. The observer noted several further shortcomings in the document. Reaccreditation should consider the track record of AEs over a period of more than five year, as was currently proposed. International entities should be assessed not only in terms of their intention to support DAEs but also regarding their performance over the first accreditation term. There was a lack of clarity regarding the procedure to be followed should the Secretariat and Accreditation Panel disagree on whether an entity was to be reaccredited. Noting that several midterm evaluations should have already occurred, the observer said that these findings should be disclosed.

## Project-specific assessment approach

719. Several Board members expressed support for the PSAA. They noted variously:

- (a) The need to streamline access to GCF for entities wishing to engage with GCF on specific projects;
- (b) The potential of the approach in reducing hurdles to funding for entities with limited capacities, such as DAEs;
- (c) The fact that accelerated access should be encouraged, in particular in LDCs and SIDS;
- (d) The desire to see the pilot implemented before the end of 2020; and
- (e) The fact that the principle of the PSAA was contained in the RFPs and in the initial Strategic Plan.

720. One Board member wished to know what measures were being taken apart from the PSAA to speed up accreditation.

721. Underlining the need to clarify the purpose of the PSAA, one Board member noted their concern that in the current form it could disincentivize entities from becoming fully accredited. This would represent a missed opportunity to make the portfolios of those entities climate-relevant. The PSAA could also pre-empt the outcome of the update to the accreditation framework planned for 2020. Another Board member noted that the initial rationale for the PSAA had been to enable non-accredited entities that had submitted funding proposals with transformational potential under the RFPs to implement those projects. The broadening in scope of the PSAA shifted focus away from those entities, which had been waiting two years to deliver on their proposals. Highlighting the fact that this posed a reputational risk for GCF, the Board member proposed the introduction of additional measures to ensure that those entities were prioritized. A further Board member said that they saw potential to further streamline the PSAA.

722. Noting with concern that paragraph 28(b) of annex III to the draft decision referred to information which “may” be submitted as part of the project track record check, a Board member stressed that it was important to be clear from the outset on exactly what was required of AEs. Similarly, in paragraph 12 of the same annex, it was important to state precisely which “appropriate measures” would be provided to DAEs in submitting projects under the PSAA.

723. A Board member said that approval of entities under the PSAA should take into account the Indigenous Peoples Policy and the requirement for entities to have their own independent GRMs. They also suggested only advancing those entities for Board approval that had a high capacity to implement the proposed project. Entities with a medium capacity should only be presented if the deficiencies could be addressed in advance of the disbursement of funds. Another Board member said that the PSAA should be conducted in a transparent manner and give priority to countries that did not currently have an AE.

724. Several Board members expressed their surprise that the fees for assessing entities under the PSAA were the same as those for institutional accreditation. One of these Board members suggested that the Secretariat and the Accreditation Committee propose a more balanced fee structure.

725. A number of Board members asked how the additional workload created by the PSAA would be managed, especially in view of work to process the existing accreditation pipeline. Regarding the budget, one Board member asked why additional funding was needed for what was intended to be a streamlined process.

726. Several Board members voiced their support for the implementation of the PSAA on a pilot basis. One requested that the review of the pilot framework for the PSAA take place after

one year of operation instead of after three years as currently proposed. Two Board members said that the PSAA should not be subject to a pilot but be applied through the entire GCF-1 programming period. A review could then be triggered in time for the second replenishment period of GCF in line with the new four-year policy cycle proposed by the Co-Chairs. Paragraph (e) of the draft decision relating to the pilot should therefore be deleted.

727. A Board member made the following additional proposals for amendments to the draft decision text. Paragraph (d) should be deleted on the basis that it merely restated what had been previously agreed by the Board. Paragraph (j) on PPF support for PSAA applications should be clarified. While the Board member supported the provision of such support, the precise role of the PPF should be determined especially given that the current wording conflicted with decision B.13/21, paragraph (b) Another Board member expressed support for these proposals.

728. The active observer for CSOs expressed considerable concern regarding the potential for entities to use the PSAA as an exercise in “greenwashing”, whereby they would be able to avoid a commitment to raising standards or to shifting their portfolio. This undermined the value of affiliation with GCF through institutional accreditation. The observer also called for the approach to be restricted to micro and small projects. Furthermore, in order to meet the stated aim of facilitating access to funding for DAEs, the pilot should be exclusively targeted at those entities. They welcomed the fact that, under the PSAA, entities would be limited to submitting just one proposal each but said that the document should specify that this excluded the possibility of multiple use by different subsidiaries or special purpose vehicles of the same entity. Noting with concern that the current document only contained a passing reference to the Indigenous Peoples Policy, the observer said that there was a risk of entities being accredited under the approach without an adequate assessment of the capacities and track record of working with indigenous peoples. Compliance with this policy should be explicitly stated in sections III and 4.2 of annex III. Finally, the pilot PSAA should have a maximum funding allocation of USD 200 million, to be disbursed in two tranches in order to allow for adjustments based on lessons learned during the pilot phase itself.

### **Review of the portfolio and the strategic approach**

729. Several Board members said that they did not support paragraph (a) of the draft decision, which requested the IEU to undertake a review of the current portfolio of AEs and to recommend an optimal mix. Two of these Board members said that the Board needed to consider its strategic vision for the accreditation process in order to ensure alignment with the climate finance needs of developing countries. Noting that the proposed scope of the evaluation was somewhat vague and open to interpretation, they said that the Board should approve terms of reference for the review. One said that consideration of the strategic approach should form part of the 2020 workplan of the Board.

730. Several Board members underlined the importance of an accreditation strategy. One of these Board members expressed their support for the inclusion of paragraph (a), stressing that such a stocktaking exercise was required in order to inform the updated Strategic Plan. The current portfolio of AEs should be analysed based on their ability to support GCF in achieving a paradigm shift, and clear recommendations were needed regarding principles and criteria for prioritizing incoming accreditation proposals. The need for an accreditation strategy had been underlined in the FPR and the Independent Evaluation of the GCF Country Ownership Approach.<sup>3</sup> One recommendation of these reviews was to clearly articulate the purpose of accreditation, and to provide guidance on whether to prioritize entities that were capable of managing GCF resources or those that could help to implement the mandates of GCF.

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<sup>3</sup> This evaluation was to be considered under agenda item 20 but was deferred to B.25.

731. Another member said that an accreditation strategy was central to the GCF business model. GCF and its stakeholders would benefit from increased certainty regarding the growth rate and ultimate expected size of the pool of AEs.

### Other comments

732. A Board member said that more time was needed on the margins of the meeting to discuss the proposals made by their colleagues. Another Board member requested clarification on how discussions and decisions relating to the accreditation strategy and to the Strategic Plan would be dovetailed.

733. A Board member noted that currently no DAEs had been accredited in their country. In addition, IAEs were limited in their capacity to operate there. They therefore proposed that language be introduced into the document which prioritized the accreditation of DAEs. Furthermore, noting that GCF had a number of AEs from non-contributor countries, they opined that it should not be an advantage for those countries that were not contributors to GCF to have AEs. This needed to be resolved from a strategic perspective as it negatively affected the opportunities that other countries could have.

734. The Co-Chairs informed the Board that they would be suspending the item to allow consultations on the margins of the meeting. With this in mind, they invited a representative of the Secretariat and the Chair of the Accreditation Committee to respond only to the questions raised by Board members. Broader concerns could be addressed in the consultations.

735. The representative of the Secretariat made the following points:

- (a) Matters related to the accreditation strategy, scope, diversity and approach for the PSAA framework and prioritization would be addressed by the Accreditation Committee as the owner of the document. The Secretariat's responses would focus on technical aspects of questions raised;
- (b) By decision B.23/11, the Board had determined that accreditation would be considered complete upon AMA effectiveness. This meant that the first batch of eight AEs would need to seek reaccreditation by 2021. The reaccreditation process for these entities would therefore need to begin in 2020;
- (c) Regarding the assessment of new or amended standards during the five-year accreditation term, the representative clarified that the Board had adopted nine new policies and standards relevant to accreditation since decision B.07/02 on the initial guiding framework, which included the fiduciary standards and ESS standards. Given that new standards affecting accreditation had become effective on the date of adoption, this had caused reviews of applications in the process of accreditation to be re-opened each time a new accreditation-related standard was adopted. During the reaccreditation process, AEs would be assessed against all new policies and standards adopted as compared to the standards assessed at the time of their initial accreditation;
- (d) AE self-assessments, midterm reviews and reaccreditation were required by decision B.11/10. The Secretariat had been operationalizing self-assessments and midterm reviews to the extent possible. In so doing, it did not conduct a full reappraisal on an annual basis due to the nature of such assessments and the "light touch" approach as per the decision, focusing only on institutional changes compared to the institutional-level reporting of AEs for the previous year; and
- (e) The reaccreditation process would follow reviews by the Secretariat and the Accreditation Panel. Based on the workload of the past few years, approximately 20 to 25 entities per year could be under review and submitted for the Board's consideration. Reaccreditation was expected to take less time than the initial accreditation process.

While the reaccreditation process would be a new workstream for the Secretariat and the Accreditation Panel in 2020, the aim was to balance the accreditation of new applicants with reaccreditation of AEs.

736. The chair of the Accreditation Committee explained that the current proposal for the PSAA was an attempt to balance two schools of thought. Some members of the committee believed that the PSAA should be used to build the capacities of those entities that were not yet ready to seek full accreditation. Other members held the view that entities that had submitted funding proposals under RFPs should be prioritized. The current document therefore left the PSAA open to all entities. Regarding the possibility that AEs with funding proposals might not seek reaccreditation, the Chair said that this could be considered a breach of their legal agreement. In terms of the length of the reaccreditation process, the Chair clarified that this should be no less than six months.

737. The Co-Chairs thanked the representative and the Chair for their explanations. They invited alternate members Ms. Janine Felson and Mr. Norbert Gorißen to consult with Board members on the margins of the meeting with a view to adapting the draft decision and its annexes.

738. The Board member who had raised the concern regarding the role of the Accreditation Panel proposed sharing their comments in writing with the Board members leading consultations.

739. The Co-Chairs welcomed this proposal, noting the opportunity for all Board members to share their views with the two Board members with the aim of reaching an agreement on the decision.

740. The item was suspended.

741. On the morning of the final day of the meeting, the Co-Chairs invited Ms. Felson and Mr. Gorißen to provide an update on the status of the consultations, which were still ongoing.

742. The two alternate members reported on the progress made on the draft decision, reaccreditation process and PSAA, including highlighting the fact that the revised document now proposed reducing the fees for the PSAA by 20 per cent in comparison to the fees for institutional accreditation. This would benefit DAEs accessing the modality.

743. The Co-Chairs thanked the alternate members for the update.

## Part II

744. The item was re-opened in the afternoon.

745. The Co-Chairs noted that a revised version of the draft decision and annexes had been circulated to the Board. They invited Ms. Felson and Mr. Gorißen to introduce the changes.

746. Mr. Gorißen highlighted three important changes.

(a) Given that there was no consensus among Board members to include paragraph (a) requesting a review by the IEU, this had been removed. However, Mr Gorißen noted the requests of various Board members to review the accreditation process. In this regard, the need to develop a strategic approach to accreditation would be reaffirmed by the decision, and a reference to past decisions relating to the development of such a strategy had been added, as well as its inclusion in the workplan of the Board for 2020–2023. Mr Gorißen also underlined that a number of processes were planned that would contribute to strategic thinking on accreditation, including the updated Strategic Plan and a rapid evaluation by the IEU;

(b) It was essential that the Board launch the reaccreditation process in order to ensure the maintenance of essential operations; and

- (c) Regarding the PSAA, the draft decision now included a paragraph requiring a review of the framework after three years of operationalization. In addition, section II of annex III had been amended to highlight that the approach could be used by entities responding to RFPs.

747. Ms. Felson added that while there was no consensus to commission a review, there was also no disagreement regarding the possibility of reviewing the accreditation process in the context of the other processes that Mr. Gorißen had highlighted. She stressed that the revised document represented a concerted effort to achieve the central aim of launching the reaccreditation and PSAA processes while addressing all the concerns raised by Board members.

748. The Co-Chairs thanked the two alternate members and the Secretariat for their work in the consultations and opened the floor for comments.

### **General comments**

749. A number of Board members stressed the need to maintain the part of the decision relating to reaccreditation. One Board member noted that each element of the decision should aim at improving access to GCF resources. Another Board member underscored the need to meet the demand of private sector actors interested in engaging with GCF but unable to find suitable AEs to deliver projects. A further Board member urged their colleagues to view the current version of the document as a balanced solution, which took into account the range of perspectives expressed by Board members.

### **Review of the portfolio and the strategic approach**

750. Several Board members underscored the need for a review. One of these noted their profound disappointment regarding the removal of paragraph (a). Underlining the need for an accreditation strategy in order to prioritize entities that were best suited to support the mandate of GCF, they said that such a strategy could not be implemented without a review of the current portfolio of AEs. They further underlined that the Accreditation Committee had supported this language.

751. Several Board members supporting a review suggested adding a clause at the beginning of the draft decision acknowledging the need to conduct one but not stipulating who would perform it or when. This clause would recognize the need for a review on the optimal mix of AEs to deliver on the GCF mandate and objectives prior to the implementation of the accreditation strategy.

752. A further Board member underscored the need to reflect on the accreditation process in delivering the Board's vision and meet the needs of countries. They noted, however, that it was not yet clear exactly what the parameters of that review would be. They therefore proposed using the current decision text to kick start that process by requesting the Secretariat to prepare terms of reference for a review for consideration by the Board at B.25.

753. Underscoring the importance of providing strategic guidance on accreditation, another Board member stressed that this would be achieved through the Strategic Plan.

### **Project-specific assessment approach**

754. Regarding the PSAA, a Board member expressed their considerable discomfort at the fact that the approach had evolved since its conception to apply not only to proposals submitted under RFPs but to all funding proposals. In addition, the Board member questioned the rationale behind introducing an open-ended pilot with a review after three years that would

require an active decision of the Board to discontinue the approach. While the Board member strongly supported the PSAA in principle, they did not support the current draft.

755. Another Board member also expressed support for a time-bound pilot in order to ensure Board oversight of the PSAA process. Underlining the potential of the PSAA to accelerate access to funding for LDCs, SIDS and African States, they expressed the concern that the current proposal might exacerbate the backlog of accreditation applications by placing additional demands on accreditation.

756. Two further Board members said that they shared the concern regarding the open-ended nature of the pilot. They therefore proposed explicitly stipulating in the paragraph relating to the review that the Board would conduct such a review in order to “assess the PSAA modality and determine if it should continue”.

757. A Board member reminded the Board that under the workplan of the Board for 2020–2023, the PSAA could still be reviewed if required. They stressed that the PSAA provided the necessary efficiency and rigour in the accreditation of entities.

758. Another Board member said that the decision to review the PSAA framework after three years would provide adequate time for the approach to be implemented before reflecting on its outcomes.

### **Reaccreditation**

759. In annex II, paragraph 8, which listed the environmental and social policies and standards to be applied in the reaccreditation assessment, a Board member proposed changing “including regarding indigenous people” to “including the Indigenous Peoples Policy”.

### **Other comments**

760. The Chair of the Accreditation Committee urged the Board to adopt the draft decision as proposed. Regarding the review, they noted that the current wording, which reaffirmed the need to develop a strategic approach to accreditation, provided sufficient basis for the Board to review the accreditation, including under discussions on the updated Strategic Plan. The aim of the PSAA was to support vulnerable countries in engaging with GCF and building capacities through the delivery of a single project. They said that they had no objection to including the time frame of the pilot in the decision text.

### **Further discussion**

761. The Co-Chairs thanked Board members for their comments. Noting that a number of specific proposals for amendments had been made, they suggested suspending the item in order to allow for further consultations.

762. Highlighting the length of the document and the quantity of amendments proposed, a Board member said that the item should be deferred to B.25. Another Board member requested clarification on the implications of postponing the decision for the reaccreditation process.

763. A representative of the Secretariat said that a period of nine months starting from the adoption of a reaccreditation process would be required for the Secretariat and the Accreditation Panel to put in place the necessary processes and systems and for the AEs to submit their applications. The accreditation term of the first AE was due to expire in March 2021. Therefore, the reaccreditation review process would be launched and needed to be completed by AEs by July 2020.

764. Another Board member expressed support for the proposal to defer the item to B.25, noting that this would allow sufficient time to kick-start the process. Another Board member requested further clarification on the urgency of adopting the decision at B.24.

765. The Co-Chairs stressed that the Secretariat and the Accreditation Panel needed to be provided with adequate time to prepare the process. They proposed that Ms. Felson and Mr. Gorißen continue their consultations at the current meeting in order to reach agreement on the part of the decision relating to reaccreditation.

766. Two Board members expressed support for this proposal. One underlined their willingness to consider various options relating to the accreditation strategy, including the suggestion to request the Secretariat to prepare terms of reference for a review.

767. The Co-Chairs suspended the item.

### Part III

768. The item was re-opened later in the evening. The Co-Chairs noted that two different revised versions of the decision had been circulated. The Board members leading consultations were invited to present the amendments.

769. Mr. Gorißen explained that he and Ms. Felson had prepared two options for the Board's consideration. The first, shorter text met the mandate they had been given to prepare a draft decision that solely addressed the reaccreditation process. (This is the decision that was ultimately adopted; it is presented below.) He explained that the second paragraph of that text deferred consideration of the PSAA to B.25.

770. Ms. Felson presented the second option, which was based on the version that had been discussed in the previous session. She explained that a new paragraph had been added, paragraph (b), which attempted to accommodate the views expressed on the strategic approach to accreditation. It requested the Secretariat "to present a paper on the status/taking stock of the accreditation process and portfolio, and to present such a paper for the Board's consideration at its informal meeting in February 2020 as one input to inform the Board's consideration of the strategic approach to accreditation, without prejudice to the outcome of such consideration". In addition, paragraph (j) relating to the PSAA now stated that the Board would conduct a review three years after its operationalization to "assess the PSAA modality and determine if it should continue".

771. The Co-Chairs proposed that the Board begin by considering the second option.

772. A Board member expressed support for this option, noting that it reflected the range of views around the Board and provided a good basis for improvements to accreditation.

773. Another Board member expressed support for the addition to paragraph (j) on the PSAA review. Two Board members requested that the addition be removed. One of these explained that the Board could make a decision on the future of the PSAA after considering the review. The Board member who had proposed the new language during the previous discussion said that they would support the decision without the addition.

774. Two Board members said that they supported the new paragraph (b). One highlighted that the Secretariat's document would provide the Board with a useful and timely input during its consideration of the updated Strategic Plan. The other said that the paper would provide useful composite information on the accreditation process.

775. A Board member requested clarification on whether the paper would go beyond the status report provided at every Board meeting and analyse how the AEs were faring in delivering on the mandate of GCF.

776. A representative of the Secretariat clarified that the paper would provide analysis that went beyond that presented in the document on the consideration of accreditation proposals.

777. Noting that “status” and “taking stock” had different meanings, a Board member proposed deleting “taking stock”.

778. The Co-Chairs asked if Board members would accept the deletion of “taking stock”.

779. On the basis of the explanation from the Secretariat, a Board member proposed changing the wording to “an analysis of the accreditation process”. Another Board member also expressed support for a more in-depth analytical paper. A further Board member said that the word “analysis” was not sufficiently specific. The Secretariat should outline the status of the accreditation process and the portfolio of AEs in order for the Board to make its own analysis in its discussions on the strategic approach.

780. Acknowledging that it was too early for the Secretariat to outline the contents of the paper in detail, the Co-Chairs invited the representative to elaborate further on the input and advice that it proposed to provide through the paper.

781. The representative of the Secretariat said that the paper would provide information for the informal meeting of the Board as one input to be considered in developing the strategic approach to accreditation.

782. A Board member underscored the need for a strategy aimed at achieving a portfolio of AEs that was best suited to supporting the mandate of GCF. For this, it was necessary to take stock of, or analyse, the current portfolio. The Board member said that they would support a decision of the Board that was intended to produce such a document. However, the proposal to remove “taking stock” suggested that the intention was to present a status report with information such as the number of AEs and their geographical distribution. This would provide no added value. Another Board member expressed support for this view, underlining the fact that the Secretariat had sufficient capacities to carry out a stock-take. A further Board member voiced their support for the phrasing “taking stock”, noting that it did not imply an excessive review. Another noted that “to take stock” was defined as “to carefully think about something in order to make a decision about what to do next”. They stressed that this was precisely what was required.

783. The Board members who had led the consultations proposed changing the text to “a paper that goes beyond the standard consideration of accreditation proposals document”.

784. Noting the late hour and the fact that the Board agreed on the overall need for an input into the strategic approach, the Co-Chairs proposed that the Secretariat carry out the work under the guidance of the Co-Chairs. In this way, the Co-Chairs could facilitate between the Secretariat and Board members as was the case on other matters. Alternatively, the Board could choose to adopt the first option for the draft decision, which had been presented at the beginning of the session.

785. A Board member said that they wished to hear the views of Board members on the proposal to change the term to “analysis” before considering the first option. They did not support the proposal by the alternate members who had led consultations because it was not sufficiently specific. The Board member underlined that it was important to establish at the current meeting whether the Board agreed to requesting the Secretariat to develop strategic ideas or to limit itself to compiling figures.

786. The Co-Chairs noted that the proposal to use the word “analysis” had already met with opposition from a Board member.

787. Highlighting the need to find common ground, a Board member noted that there appeared to be a consensus around the need for information on what the current accreditation process and the current set of AEs could contribute to GCF. They, therefore, proposed

requesting a paper on the “implementation potential for GCF of the accreditation process and portfolio”.

788. Several Board members expressed support for the suggestion that the Secretariat work under the guidance of the Co-Chairs. One of these explained that the Co-Chairs could consult on the scope of the paper, which was the primary point of contention for the Board. A further Board member suggested that, in addition to working under the guidance of the Co-Chairs, the Secretariat could draw on views expressed in the current discussion.

789. A Board member asked if the Board members expressing support for a more in-depth paper intended for this to include an assessment of improvements in the individual portfolios of AEs. The Board member said that they would object to such an assessment on the basis that it would take up the time and resources of DAEs whose business it was to contribute to improvements in developing countries. Instead, they wished to see a snapshot of the activities of AEs and their contributions to the objectives of GCF. This could be expressed through a request for a paper on the “effectiveness of the accreditation process and portfolio”.

790. Several Board members in favour of a more detailed stock-take expressed support for this amended phrasing. One of these Board members stressed that it was not their intention to commission an appraisal of individual AE portfolios.

791. Recalling that the paper was to be submitted within a short time frame, a Board member noted with concern that the proposed amendments to the version under consideration broadened the document’s scope. They reiterated that the Co-Chairs should guide the Secretariat on the scope of the paper.

792. The Co-Chairs suggested deferring consideration of the issues under discussion and invited the Board to adopt the first version of the draft decision, which confined itself to the matter of reaccreditation.

793. A Board member said that they wished to consult with their constituency before shifting focus to the first option.

794. Noting that the Board would soon lose its quorum as the meeting approach its close, the Co-Chairs urged Board members to make suggestions regarding the second option that would meet with the consensus of the Board.

795. A Board member proposed the following wording: “Requests the Secretariat to present a paper on the effectiveness of the accreditation process and taking stock of the portfolio.”

796. The Board member who had raised the concern regarding the analysis of individual AE portfolios said that the use of the term “taking stock” could imply such an analysis. They asked if Board members proposing the term were referring to the compliance of AEs with AMAs. If so, then this should be explicitly stated in the decision.

797. The Board member who had proposed the new wording suggested replacing “taking stock” with “status”. Another Board member voiced their support for this proposal.

798. A further Board member suggested returning to the current draft version but deleting “status/taking stock of” and adding “under the guidance of the Co-Chairs” to the end of the paragraph.

799. A Board member who was in favour of a more in-depth analysis of the portfolio of AEs said that they did not support the addition of the phrase “under the guidance of the Co-Chairs”. It was important that the Board itself provided specific guidance on the content of the paper.

800. The Co-Chairs expressed agreement with the view that the Board should provide the Secretariat with clearer guidance. They therefore proposed deferring the matter in order to allow time to provide this guidance. On that basis, they invited the Board to adopt the first option.

801. There being no further comments and no objections, that version of the draft decision was adopted.

802. The Board adopted the following decision:

*DECISION B.24/13*

*The Board, having considered document GCF/B.24/06 titled “Matters related to the accreditation framework”:*

- (a) Adopts the re-accreditation process set out in annex XXVI, applying mutatis mutandis the initial guiding framework for the GCF accreditation process as contained in decision B.07/02, expecting not to create a disproportionate burden for the accredited entities; and*
- (b) Decides to defer its consideration of the project-specific assessment approach as contained in annex XXVII until the twenty-fifth meeting of the Board.*

## **Agenda item 18: Review of the initial investment framework: policy on co-financing**

803. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.24/04 titled “Review of the initial investment framework: Policy on co-financing”. They informed the Board that an updated version of the document had now been circulated. The intention of this update was to make the information contain therein clearer, simpler and more practical for AEs, in particular DAEs, in a number of ways: the definitions provided had been brought into alignment with existing definitions; the requirements of AEs had been simplified, in part by the Secretariat taking on additional tasks; and the time period for which data was to be made available had been clarified.

804. The Co-Chairs further explained that the item had been opened in order to provide Board members with an opportunity to reflect on the revised document before considering it for adoption later in the meeting.

805. They invited a representative of the Secretariat to introduce the updated policy.

806. The representative explained that the Policy on Co-financing had been developed in accordance with decision B.17/10. The policy had been devised to determine, track and report on co-financing as well as additional resources invested alongside GCF funding. The aim was to provide greater accountability and transparency to countries and AEs in the development of funding proposals. It did not impose conditions on access to GCF finance, but improved alignment with the mandate of GCF. The representative outlined some of the key definitions and principles of the policy. They further highlighted that the bulk of the revisions to document GCF/B.24/04 had been made to section 5.1, with the aim of lessening the reporting burden on DAEs.

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

808. A Board member expressed their appreciation for the proposed update. They welcomed the policy’s flexibility and the fact that it avoided using co-financing metrics as stand-alone targets on the basis that this left it open for developing countries to identify further financing sources. They underscored that the national circumstances of developing countries were diverse and that many would be able to provide considerable co-financing resources. The Board member requested clarification on the implications of reporting to the Organisation for Economic Co-operation and Development (OECD) on mobilized finance, as referenced in the policy.

809. The representative of the Secretariat underscored the value of OECD efforts to standardize financial reporting. They provided reassurance that, under the policy, the burden of reporting to the OECD would be taken up by the Secretariat and not placed on AEs. The Secretariat would provide an updated template in March 2020. Using this, entities would be required to submit only raw data on the proportion of co-financing from public and private sources. The Secretariat would then apply the relevant methodologies and submit the reports to OECD.
810. The Co-Chairs thanked the representative for their response and suspended the item.
811. Based on discussions on the margins of the meeting, an updated draft of the policy was circulated to Board members on the morning of the final day of the meeting.
812. The Co-Chairs re-opened the item on the afternoon of the final day of the meeting. They informed the Board that a further updated version of the policy had been circulated that contained additional editorial amendments.
813. A representative of the Secretariat outlined the changes. References to specific organizations had been removed in line with a desire to broaden engagements on reporting to all bilateral and multilateral organizations. The draft decision text did, however, make explicit reference to assessments by the Standing Committee on Finance and the biennial reports under the UNFCCC. In the policy, the term “leveraged finance” had been amended to read “leveraged private finance” to bring it into line with the term “mobilized private finance”.
814. Noting that the changes were editorial rather than substantive, the Co-Chairs invited the Board to adopt the draft decision as amended.
815. There being no further comments and no objections, the draft decision was adopted.
816. The Board took note of document GCF/B.24/04 titled “Review of the initial investment framework: Policy on co-financing”.
817. The Board adopted the following decision:

#### *DECISION B.24/14*

*The Board, having considered document GCF/B.24/04 titled “Review of the initial investment framework: Policy on co-financing”:*

- (a) Adopts the Policy on Co-financing as set out in annex XXVIII;*
- (b) Decides that the Policy on Co-financing will apply to funding proposals approved at the twenty-sixth meeting of the Board and thereafter;*
- (c) Requests the Secretariat to design and implement a capacity-building programme, as part of the Readiness and Preparatory Support Programme, to support direct access accredited entities in the implementation of the Policy on Co-financing, including its reporting and evaluation requirements;*
- (d) Also requests the Secretariat to update the templates for concept notes and funding proposals to reflect the Policy on Co-financing by the twenty-fifth meeting of the Board, in keeping with the Secretariat’s current practice of updating templates no more than once per year;*
- (e) Further requests the Secretariat to recommend for the Board’s consideration the modality for the review of the Policy on Co-financing as part of the overall GCF policy review and update cycle, ensuring consistency with other relevant policies and building upon lessons learned and implementation challenges identified in the application of this policy;*

- (f) *Requests the Secretariat to report relevant financial data defined in the Policy on Co-financing no later than 2021 on the basis of 2020 data to inform relevant processes and relevant institutions collecting international development finance data, including those informing assessments by the Standing Committee on Finance and the reporting for the Biennial Reports under the United Nations Framework Convention on Climate Change, as appropriate; and*
- (g) *Also requests the Secretariat to continue to work on the collaboration with relevant bilateral and multilateral institutions as well as on capacity-building with a view to introduce an instrument-based methodology to report mobilized private finance.*

## **Agenda item 19: Matters related to the evaluation policy and the guidelines for the effective functioning of the Independent Evaluation Unit**

818. The Co-Chairs opened the agenda item. They reminded the Board that the first draft of the provisional agenda had included separate items on the evaluation policy and the guidelines. They explained that based on the views expressed on the evaluation policy and the need to consult both the IEU and the Secretariat, the two items had now been merged.

819. They reminded the Board that currently no document had been published regarding the evaluation policy.<sup>4</sup> In addition, document GCF/B.24/Inf.12, titled “Initial set of guidelines for the effective functioning of the Independent Evaluation Unit”, had been circulated for information purposes only. The Co-Chairs had not yet concluded their consultations on the policy and the guidelines. They explained that they were attempting to resolve inconsistencies between the terms of reference of the IEU and the Head of the IEU based on responses from the Board. In particular, where the former referred to the development of an “evaluation policy” the latter referred to an “independent evaluation policy”.

820. On this basis, the evaluation policy document would not be presented at B.24. Instead, the Co-Chairs would put forward a procedural decision later in the meeting in order clarify mandates and note the comments received from the Board on the draft evaluation policy.

821. A Board member noted that they would follow the approach proposed by the Co-Chairs. They stressed, however, that they would not support the approval of the IEU budget before the IEU procedures and guidelines had been concluded.<sup>5</sup>

822. The Co-Chairs reassured the Board member that the current item would be considered before agenda subitem 13(a) on the workplan and budget of the IEU.

823. The item was suspended.

824. The Co-Chairs re-opened the item on the final day of the meeting. They drew the attention of the Board to the draft decision, which had been circulated and opened the floor for comments.

825. The Board member who had spoken in the previous session expressed concern regarding the sequencing of the evaluation policy and the IEU procedures and guidelines. They had understood from the previous discussion that the procedures and guidelines would be considered at the current meeting. They recalled an agreement to produce the IEU procedures and guidelines first on the understanding that these could be updated at a later stage once the

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<sup>4</sup> A draft evaluation policy had, however, been circulated to the Board since B.21, and several Board members had submitted comments.

<sup>5</sup> This matter is also referenced under agenda item 7.

policy had been adopted. However, the current draft decision now requested the Secretariat to produce both documents for B.25.

826. There was a pause in proceedings while the Board member consulted with the Co-Chairs' teams on the margins of the meeting.

827. The Co-Chairs resumed proceedings and informed the Board that they had clarified the sequence of the consideration of items to the satisfaction of the Board member. They invited the Board to adopt the draft decision.

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

829. The Board took note of document GCF/B.24/Inf.12 titled "Initial set of guidelines for the effective functioning of the Independent Evaluation Unit".

830. The Board adopted the following decision:

#### *DECISION B.24/15*

##### *The Board:*

- (a) Takes note of the consultations and comments submitted on the draft Evaluation Policy;*
- (b) Confirms that the Evaluation Policy is a GCF-wide policy that guides the Board, the Secretariat, the Independent Evaluation Unit, other independent units, accredited entities and national designated authorities/focal points;*
- (c) Also confirms that the Independent Evaluation Unit and the Secretariat jointly clarify and delineate the roles, responsibilities and accountabilities in the Evaluation Policy;*
- (d) Agrees to amend the terms of reference for the Head of the Independent Evaluation Unit (see annex V to decision B.10/05) as contained in annex XXIX;*
- (e) Requests the Independent Evaluation Unit and the Secretariat to present the draft Evaluation Policy for consideration no later than the twenty-fifth meeting of the Board;*
- (f) Also requests the Independent Evaluation Unit to present the detailed procedures and guidelines for the effective operation of the Independent Evaluation Unit for consideration by the Board at its twenty-fifth meeting; and*
- (g) Further requests the Secretariat, in consultation with the Independent Evaluation Unit, to develop monitoring protocols, toolkits and guidelines that take into account the Evaluation Policy and the integrated results management framework, which will be submitted for the Board's consideration at its twenty-fifth meeting.*

### **Agenda item 20: Independent Evaluation of the GCF Country Ownership Approach**

831. This agenda item was not opened. On the final day of the meeting the Co-Chairs informed the Board that they had decided, in view of the lateness of the hour and as the meeting was no longer quorate, to defer consideration of this item to B.25.

### **Agenda item 21: Status of GCF resources and portfolio performance**

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

- (a) GCF/B.24/Inf.13 titled "Status of the initial resource mobilization process";

- (b) GCF/B.24/Inf.05 titled “Status of the GCF pipeline, including the status of Project Preparation Facility requests”;
- (c) GCF/B.24/Inf.03 titled “Status of the GCF portfolio: approved projects and fulfilment of conditions” with two addenda transmitted on a limited distribution basis; and
- (d) GCF/B.24/Inf.04 titled “Annual portfolio performance report (2018)”.
833. They invited representatives of the Secretariat, namely the Head of Financial Management, Mr. Sunil Jhunjhunwala, and the Head of Portfolio Management, Mr. Sohail Malik, to introduce the documents.
834. Mr. Jhunjhunwala presented GCF resources and commitments to date as outlined in document GCF/B.24/Inf.13, highlighting the remaining authority before the start of B.24 as USD 0.9 billion.
835. Mr. Malik presented the current status of the GCF portfolio and the volume of concept notes and funding proposals in the pipeline against initial resource mobilization targets. He also reported on the portfolio performance progress of the funded activities under implementation as well as that of the Readiness Programme and PPF as at 31 December 2018. In addition, he presented key priorities for 2020.
836. A Board member asked why the demand for support through the PPF continued to be low despite this being one of the priorities under the Secretariat’s work programme for 2019. They also wished to know what measures would be taken to address the situation.
837. Another Board member requested clarification on the meaning of the acronym “RMF”.
838. A further Board member congratulated the Secretariat on the quantity and clarity of the data presented, particularly in the annual portfolio performance report. They said that the Accreditation Panel should, in its assessments, consider the implementation challenges highlighted in the areas of financial management and procurement. The Board member asked whether the figures for tonnes of carbon dioxide equivalent and the number of beneficiaries as reported in paragraph 24 of document GCF/B.24/Inf.04 were anticipated or actually achieved results.
839. Noting that over 50 per cent of adaptation funding had been allocated to LDCs, SIDS and African States in line with objectives, a Board member requested the Secretariat to continue to prioritize funding proposals from those countries. In addition, the Secretariat should continue its preparatory work prior to the submission of concept notes and funding proposals in order to ensure the efficient use of GCF resources in delivering high-quality projects. The Board member noted with concern that some projects that had been approved more than two years previously had not yet entered implementation. They therefore proposed considering the cancellation or restructuring of those projects if no further progress was made.
840. The Co-Chairs invited the Head of Portfolio Management to respond to the questions.
841. Regarding low demand for PPF support, Mr. Malik explained that the main challenge lay in the quality of concept notes submitted by DAEs. The Secretariat was currently providing technical assistance through consultants to support DAEs in strengthening these documents. He noted that “RMF” stood for “results management framework”. With reference to the results reported in paragraph 24 of the annual portfolio performance report, Mr. Malik clarified that these were anticipated not actual results. He informed the Board that the Secretariat was working to improve methodologies for calculating results under the RMF. Regarding the approved projects that were not yet under implementation, Mr. Malik explained that the Secretariat would address these through the cancellation and restructuring policy approved at B.22. He said that the Secretariat could provide further details if desired, noting that future reports would contain more in-depth data and lessons learned as more projects entered implementation.

842. A Board member asked if the lack of methodologies for the RMF identified in the report referred to REDD-plus projects.

843. The Head of Portfolio Management explained that there was a lack of methodology for reporting over the whole portfolio, not just in REDD-plus projects.

844. The Board member advised the Secretariat to utilize external methodologies in calculating emissions reductions. The Forest Carbon Partnership, for instance, used rigorous tools in this regard for its member countries.

845. A Board member commended the Secretariat on the increase in the number of projects under implementation, the disbursements effected and the portfolio data which had been made publicly available online. They noted with concern that the level of disbursement remained low, especially for Pacific SIDS. In addition, NDAs and focal points tended not to feel involved in the dialogue between AEs and the Secretariat. It was important that these actors were included in conversations regarding the barriers to implementation. Finally, the Board member asked what measures were being taken to provide readiness support to countries in Eastern Europe.

846. The Director of Country Programming Division, Mr. Pa Ousman Jarju, was invited to answer the last question, and he explained that the Secretariat had received few requests over the previous months for readiness support from Eastern European and Central Asian countries. GCF was engaging at the regional level to ensure an equitable distribution of resources.

847. The active observer for CSOs welcomed the increased granularity in reporting on portfolio implementation. However, the annual portfolio performance report did not replace the detailed information contained in the individual APRs. These should be publicly disclosed to allow in-country stakeholders to track the project implementation process. They noted with concern that four entities with projects under implementation had not submitted APRs for 2018. The observer said that funding drawdown should not be used as a metric for assessing implementation progress. This gave a biased impression that private sector projects were delivered more rapidly. Instead, qualitative and quantitative performance indicators should be taken into account, including compliance with GCF policies and standards and the performance of meaningful stakeholder consultations. The observer noted their disappointment that the percentage of funding for projects had not been broken down by sector, thematic area or entity type. They also urged the Secretariat to include a breakdown of co-financing by financial instrument and sector in order to allow more detailed analysis of the overall GCF portfolio. In addition, they stressed that self-reporting by AEs on ESS performance was problematic, given the differing methodological approaches used, making aggregation and comparison difficult and unreliable.

848. Regarding the disclosure of portfolio performance information at the project level, Mr. Malik outlined that this occurred in consultation with AEs and in accordance with the IDP. He explained that the entities in question had not reported on these four projects on the basis that they had not yet received disbursements. Consequently, there was no project progress to be reported. The observer's other comments, including the point relating to qualitative performance indicators, would be taken into account in the next report.

849. Noting the need to better understand the reasons for delays from project approval to disbursement, a Board member said that the recipient countries were entitled to the time value of funds over this period. In this regard, they requested the Co-Chairs and the Secretariat to consider the cut-off point after which this entitlement would come into effect, taking into account the practices of similar institutions.

850. Acknowledging the pertinence of this request, one of the Co-Chairs noted that the use of AMAs and FAAs were a key factor in distinguishing GCF from other climate finance organizations. They therefore asked the Secretariat if the signing of these agreements led to delays in proceeding to implementation and what could be done to speed up the process.

851. A Board member said that the documents were useful in improving the Board's understanding of how to improve the operational effectiveness of GCF. They urged the Board to consider the lessons learned under subsequent discussions, in particular, regarding the updated Strategic Plan. They highlighted a number of specific points in this regard: one funding proposal from 2015 was not yet operational; two AMAs from 2016 were still pending; a number of APRs were missing for 2018; many projects experiencing delays in disbursements had been subject to approval conditions. The Board member expressed the view that the number of conditions placed on funding proposals and entities should be reduced in order to speed up their operationalization.

852. Another Board member voiced their support for this view and asked the Secretariat if they could identify a positive trend in the length of delay in getting projects off the ground or in the compliance of entities with reporting requirements.

853. The Executive Director explained that one of the reasons for the delays was that up to 2018 a number of projects had been approved without the entities having signed an AMA. The negotiation process for these agreements therefore began only after project approval. This practice had since been discontinued. Another reason was the considerable time it took to conduct FAA negotiations, which involved entering into a formal relationship regarding privileges and immunities. Despite these challenges, the Executive Director noted a positive trend with regard to the speed of concluding FAAs, with three agreements set to be concluded at the current meeting immediately following project approval by the Board. The Head of Portfolio Management added that compliance with GCF policies was another factor contributing to delays between project approval and disbursement.

854. Regarding the entitlement to the time value of funding, the Co-Chairs proposed that the Secretariat look into the matter in consultation with the Co-Chairs and Board members between the current meeting and B.25.

855. Another Board member shared the concerns raised regarding the delays in disbursement and the time value of funding. They requested the Secretariat to provide clarifications at the current meeting.

856. The Co-Chairs noted that several reasons had been provided for the delays and invited the Board member to consult with the Secretariat on the margins of the meeting. Regarding the time value of funding, they said it would not be possible to provide a response immediately and proposed that the best approach would be to consider the matter at the next meeting.

857. The Co-Chairs asked if the Board wished to take note of the reports.

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

859. The Board took note of document GCF/B.24/Inf.05 and its addenda Add.01–02 titled "Status of the GCF pipeline, including the status of Project Preparation Facility requests", document GCF/B.24/Inf.13 titled "Status of the initial resource mobilization process", document GCF/B.24/Inf.03 titled "Status of the GCF portfolio: approved projects and fulfilment of conditions" and document GCF/B.24/Inf.04 titled "Annual portfolio performance report (2018)".

860. No decision was taken under this agenda item.

## **Agenda item 22: Dates and venues of upcoming meetings of the Board**

861. The Co-Chairs opened the agenda item and drew the Board's attention to document GCF/B.24/08 titled "Dates and venues of upcoming meetings of the Board". A draft document had been transmitted to the Board for consultations as part of the preparations for B.24. They

informed the Board that a submission that had been received from the Board members representing the African States. They proposed that the Board consider the following actions, in addition to the confirmation of the dates and venue of B.25, namely to:

- (a) Hold an informal working session of the Board on 9 March 2020; and
- (b) Hold an informal meeting of the Board open to active observers well before B.25 that would address the Strategic Plan as one of the key issues for its consideration and requesting the Secretariat to make the necessary arrangements.

862. The Co-Chairs noted that under an earlier agenda item (11(a)), an informal meeting before B.25 had been scheduled.

863. The Co-Chairs recommended that the Board confirm the dates of 10 to 12 March 2020 for B.25 as contained in the draft decision to document GCF/B.24/08.

864. There being no comments or objections, the Co-Chairs took it that the Board approved the decision as presented.

865. The Board took note of document GCF/B.24/08 titled “Dates and venues of upcoming meetings of the Board”.

866. The Board adopted the following decision:

#### *DECISION B.24/16*

*The Board, having considered document GCF/B.24/08 titled “Dates and venues of upcoming meetings of the Board”:*

*Confirms that the twenty-fifth meeting of the Board will take place from Tuesday, 10 March to Thursday, 12 March 2020.*

### **Agenda item 23: Other matters**

867. No other matters were considered under this agenda item.

### **Agenda item 24: Election of Co-Chairs for 2020**

868. The Co-Chairs opened the agenda item and invited both the developed and developing country constituencies to provide nominations.

869. Board member, Mr. Ayman Shasly, from the developing country constituency and speaking on behalf of the Asia–Pacific constituency said it gave him great pleasure to announce that the developing country constituency was electing Mr. Nauman Bhatti to be its Co-Chair for 2020.

870. Mr. Elhassan, the current developing country Co-Chair, congratulated Mr. Bhatti on his election by the developing country constituency and wished him a successful year. He noted it would be a pleasure to hand over the role to him after a challenging year.

871. He invited Mr. Bhatti to take the floor on this happy occasion.

872. Mr. Bhatti expressed his thanks to his constituency for the trust and confidence they had placed in him and said he looked forward to working with all Board members and strengthening the work of the Board and GCF itself.

873. The Co-Chairs informed the Board that the formal election of the new Co-Chairs would be by a decision proposed between meetings in due course.

874. No further nominations were made, and the Co-Chairs closed the item.
875. No decision was taken under this agenda item.

## **Agenda item 25: Close of the meeting**

876. The Co-Chairs informed the Board that, in accordance with paragraph 13 of the Rules of Procedure, a report containing the decisions adopted by the Board at B.24 would be circulated to the Board soon after the conclusion of the meeting.
877. The Co-Chairs opened the floor for any closing remarks.
878. Noting it was his last Board meeting, the Board member from Germany, Mr. Fass-Metz, expressed his thanks to the Co-Chairs for their efficient handling of the Board. He also wished to register his thanks to the GCF and the Board for the cooperative and positive spirit they had shown him and hoped that his successor would benefit in the same way.
879. The Co-Chairs invited the active observer for CSOs to take the floor.
880. The active observer, Ms. Liane Schalatek, confirmed that it was the end of the second two-year term and since the observer participation guidelines had not been reviewed by the Board, active observers for CSOs were bound by the current rules for active observers. Ms. Schalatek noted this had been her twenty-fifth Board meeting although not always as active observer. She said it would not be her last Board meeting as she would continue to be an observer and would remain very active in relation to GCF.
881. The Co-Chairs thanked Ms. Schalatek.
882. They also expressed thanks to the Secretariat and the independent units, and in particular to the IEU for the GCF performance review. They also thanked Mr. Linn, the Global Facilitator of the first replenishment of GCF, and all those who had worked on this, and, lastly, the Board members, alternate members and advisers.
883. They also thanked members of the Co-Chairs teams, namely, Mr. Zac Bull, Ms. Victoria Macdonald, Mr. Ali Mohamed Ahmed Osman Mohamed, Ms. Shannan Murphy and Mr. Richard Sherman.
884. Finally, Co-Chair, Mr. Josceline Wheatley, thanked his fellow Co-Chair, Mr. Elhassan, without whom he noted, his own contribution would have amounted to very little.
885. On behalf of the Secretariat and all Board members, the Secretariat's Executive Director, Mr. Glemarec, expressed his thanks to the Co-Chairs, Mr. Wheatley and Mr. Elhassan.
886. The Co-Chairs closed the meeting at 9:56 p.m. on 14 November 2019.

## Annex I: Policy for contributions to the Green Climate Fund for the first replenishment<sup>1</sup>

### I. Resource mobilization approach for the first replenishment

1. This Policy for Contributions will apply to the first replenishment period (“GCF-1”) of the Green Climate Fund (the “GCF” or the “Fund”) with a view to continuing to apply to future replenishments.
2. Without prejudice to the foregoing, the first replenishment process will be subject to the following:
  - (a) **Pledging process and end-date for replenishment pledging:** Contributors will be invited to pledge contributions at a formal first replenishment pledging conference (24 – 25 October 2019). Based on Board decision B.05/04, the GCF will nevertheless maintain flexibility to receive additional contributions from both existing and new contributors on an ongoing basis;
  - (b) **Minimum contribution:** There will be no minimum contribution threshold for Parties to the United Nations Framework Convention on Climate Change (the “Convention”) and Non-Parties to the Convention (e.g. other sovereign entities, regional governments, states and cities) to participate in the replenishment consultation process and to make pledges and contributions. This matter will be re-visited during the consultation processes instituted for future replenishments;
  - (c) **Replenishment period:** The GCF’s replenishment process will secure financing for the 4-year-period beginning on 1 January 2020 and ending on 31 December 2023<sup>2</sup>;
  - (d) **Effectiveness:** The GCF’s commitment authority for the first replenishment period will become effective when 25 per cent of the total amount<sup>3</sup> pledged at the pledging conference is confirmed by fully executed contribution agreements/ arrangements<sup>4</sup>.
  - (e) **Trigger for the subsequent replenishment process:** The GCF will initiate the next replenishment 30 months after the commencement of the replenishment period in order to allow sufficient time for the preparation and consideration of such reports and/or evaluations as may be necessary.
  - (f) **Carry-over of funds:** Resources carried over from the initial resource mobilization (IRM) period/one replenishment period to the following replenishment period will consist of the following:
    - (i) Amounts contributed in cash or promissory notes not committed by the end of the IRM/relevant replenishment period;
    - (ii) Any investment income, reflows and other funds from financial instruments not committed by the end of the IRM/relevant replenishment period; and
    - (iii) Unpaid cash or promissory notes per fully executed contribution agreements/arrangements.

<sup>1</sup> This Policy for Contributions may be further revised following the discussions to take place at the second consultation meeting in Ottawa, Canada and the Secretariat wide review prior to its submission to the Board at B.24.

<sup>2</sup> Decision B.23/07

<sup>3</sup> Based on the reference exchange rate agreed for the pledging conference

<sup>4</sup> “Fully executed contribution agreement/arrangement” refers to unqualified and unconditioned contribution agreement/arrangement with fixed payment or deposit schedule and signed by all parties.

In addition, unconfirmed pledges from the IRM period will be recorded for the IRM period. As they are confirmed by fully executed contribution agreements/arrangements and paid and/or deposited, they will be recognized as part of the commitment authority. GCF-1 contributors expect that all pledges are implemented by fully executed contribution agreements/arrangements, paid and deposited.

## II. Sources of funds

3. The Governing Instrument for the Green Climate Fund (the “Governing Instrument”) states that “the Fund will receive financial inputs from developed country Parties to the United Nations Framework Convention on Climate Change”, and “may also receive financial inputs from other sources, public and private, including alternative sources”.<sup>5</sup>

4. The GCF, therefore, may also receive contributions from the following sources:

- (a) Non-Parties to the Convention;
- (b) Public and private entities; and
- (c) Philanthropic foundations, among others.

5. Contributions from Parties to the Convention and Non-Parties to the Convention, such as other sovereign entities, regional governments, states and cities, will be accepted on the basis of pledges received by the GCF in accordance with this Policy for Contributions.

6. Contributions from public and private entities, philanthropic foundations and alternative sources, may be accepted on the basis of pledges received by the GCF in accordance with the relevant policies approved by the Board<sup>6</sup>.

7. Additionally, sources of funds may include, but are not limited to:

- (a) Investment income earned on the balance of the Green Climate Fund Trust Fund (the “Trust Fund”);<sup>7</sup> and
- (b) Reflows from outgoing loans and other financial products, including interest and principal repayments, net of repayments to loan contributors.

## III. Types of contributions

8. In accordance with decision B.05/04, paragraph (d), the GCF will receive the following types of contributions:

- (a) Grants from public and private sources;
- (b) Paid-in capital<sup>8</sup> contributions from public sources; and
- (c) Concessional loans from public sources.

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<sup>5</sup> Governing Instrument, paragraphs 29 and 30.

<sup>6</sup> The policies for contributions from public and private entities, philanthropic foundations and other alternative sources should be submitted by the Secretariat to the Board for its consideration and further decision by the Board as part of its work plan in 2020.

<sup>7</sup> This includes investment income earned on balances transferred by the Fund to implementing entities and intermediaries (if applicable).

<sup>8</sup> The term “paid-in capital” used in previous Board decisions and GCF documentation does not denote capital (or equity of the GCF) that may be used as collateral or otherwise to leverage borrowing by the GCF (e.g. as in the case of a financial institution or multilateral development bank) but rather refers to “capital” as defined in Table 1.

**Table 1: Contribution types and uses**

Contribution Type	Definition	Illustrative Uses by the Fund
<b>Grant</b>	<ul style="list-style-type: none"> <li>Funds provided in cash or by promissory note</li> <li>No repayment obligation</li> <li>Cash and promissory notes are assets of the GCF</li> </ul>	<ul style="list-style-type: none"> <li>Any financial instruments approved by the Board, (e.g. grants, concessional loans, equity, guarantees)</li> <li>Administrative budgets, Accredited Entities (AE) fees (i.e. fees that AE may be entitled to receive for project implementation or other services to be performed by AE)</li> </ul>
<b>Loan</b>	<ul style="list-style-type: none"> <li>Funds provided in cash</li> <li>Obligation of the Fund to repay the contributor, with or without interest</li> <li>Cash drawdowns are assets of the GCF, creating a corresponding liability of the GCF</li> </ul>	<ul style="list-style-type: none"> <li>Loans on terms less concessional than the loan contributions</li> </ul>
<b>Capital<sup>9</sup></b>	<ul style="list-style-type: none"> <li>Funds provided in cash or by promissory note</li> <li>Capital contributor may receive a potential return of its contribution, in whole or in part of pro-rata share upon wind-up of the Fund, depending on the availability of such funds at the time</li> <li>Capital contributions are assets of the GCF, creating a corresponding liability of the Fund</li> </ul>	<ul style="list-style-type: none"> <li>Financial instruments which generate reflows regardless of the concessionality level (e.g. concessional loans, guarantees generating fee income). Thus, capital contributions may not be used to finance grants unless the specific terms of the capital contribution so allow.</li> </ul>

9. **Tracking of contribution types and their uses:** Tracking of different types of incoming contributions and their uses by the GCF in accordance with its relevant contribution policies will be performed by the Secretariat under the Financial Risk Management Framework (FRMF) to avoid cross-subsidisation between grant and loan contributors. Additional guidance will be drawn from the Risk Management Framework (RMF) and internal guidelines, as appropriate. The FRMF is planned for review in 2020, taking into account the RMF and any other GCF policies.

10. **Tracking of capital contributions:** Capital contributions would be tracked and reported to the relevant contributors and to the Board, as needed.

11. **Tracking of loan contributions:** As part of the implementation of the FRMF<sup>10</sup> by the Secretariat, a system for tracking loan contributions reflects that:

- (a) Loan contributions will be tracked separately from grants and capital contributions; and
- (b) All loan contributions will be co-mingled, and grant amounts in respect of the cushion provided by the loan contributors will be used/shared on a pro-rata basis among all loan contributors.

<sup>9</sup> As referred to as “paid-in capital” in previous Board decisions and GCF documentation.

<sup>10</sup> Or any subsequent updates or revisions to the FRMF.

## IV. Conditions applicable to all types of contributions

12. **Legal arrangements for contributions:** Contributions to the GCF would be facilitated through contribution agreements/ arrangements signed by the contributors, the GCF and the Trustee (as the entity holding the contributed funds in trust), which is the existing mechanism for receiving contributions to the Trust Fund.
13. **Size of contributions:** The GCF may accept pledges and contributions of any size from Parties to the Convention and Non-Parties to the Convention.<sup>11</sup> There will be no maximum limit applicable on the contributions that the GCF may receive, provided, however, that contributions are made within the limits set out for capital (paragraph 22), and loan contributions (paragraphs 30 and 32(a)).
14. **Currency:** It is recommended that all contributions be made in major freely convertible currencies. In accordance with prior Board decisions, including the FRMF and RMF, the Secretariat will consider taking appropriate measures to manage currency risk related to the receipt, use and any repayment obligations related to contributions to the GCF. Further details on the management of foreign exchange risk are provided in paragraph 41 below.
15. **Requirement to provide grants:** All contributors would be required to provide a grant contribution. Contributions in the form of loans or capital will be accompanied by a minimum grant contribution to the GCF in respect of the administrative costs and expenses of the GCF (collectively referred to as “administrative budget”),<sup>12</sup> and AE fees associated with the implementation and use of the loan or capital contribution, since they may not be used for such non-reimbursable uses. Further details on providing grants are provided in paragraphs 17 and 25 below. The grant contribution required in respect of administrative budgets would be counted as part of the contributor’s overall contribution to the GCF.
16. **Timing:** The GCF will accept contribution payments pursuant to the contribution agreements/arrangements. Although there will be no fixed instalment schedule during the replenishment period, contributors are strongly encouraged to fulfil their payments and deposits, as early as possible, and at least one year prior to the end of the respective replenishment period, to build up sufficient funding levels available for predictable funding decisions/commitments and programming by the Board.

## V. Conditions for grant and capital<sup>13</sup> contributions

17. **Grants:** A contribution made in the form of a grant may be used for any financial instruments (e.g. grants, concessional loans, equity, guarantees), administrative budgets, and AE fees.
18. **Maximizing the grant element:** In consideration of the requirements of the FRMF<sup>14</sup> and the limitations on the GCF’s use of capital contributions, further described in paragraph 19 below, grant contributions must significantly exceed the amounts contributed in the form of loans and capital.
19. **Capital:** A contribution made in the form of capital may be used for financial instruments which generate reflows regardless of the concessionality level (e.g. concessional

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<sup>11</sup> Conditions, including minimum size, related to contributions from Non-Parties and other sources contemplated in the Governing Instrument, will be considered by the Board for decisions independently.

<sup>12</sup> Including Interim Trustee and other functions.

<sup>13</sup> Also referred to as “paid-in capital” in GCF documents.

<sup>14</sup> Pursuant to paragraph 2(a) of the Fund’s initial financial risk framework adopted by decision B.07/05 of the Board, “[t]he Fund will in aggregate seek to maximize grant contributions, taking into account its theme-based allocation. It is foreseen that grant contributions must significantly exceed loan amounts.”

loans, guarantees generating fee income). Capital contributions may not be used to finance grants<sup>15</sup> or administrative budget, unless the specific terms of the capital contributions allow for such use.

20. Both capital and grant contributors may receive the return of their pro-rata share of the Trust Fund balance in the event the GCF were to wind up operations. The distinction between grant and capital contributions is that the pro-rata share of the remaining funds at the time of the termination of the GCF that would be attributable to the grant contributors would be reduced by the amount of outgoing grants made by the GCF (including administrative budgets and AE fees). The pro-rata shares of the capital contributors would not be subject to such reduction.

21. Capital contributors would be required to make a grant contribution to cover administrative budgets and AE fees, unless the specific terms of the capital contributions allow for financing of grants or administrative budgets. The amount of the additional grant contribution required should be at least 10 per cent of the amount of the pledged capital contribution. The amount may be adjusted based on an analysis of actual administrative budgets approved during the replenishment period, AE fees, and any other factors.<sup>16</sup>

22. It is recommended that aggregate capital contributions do not exceed 20 per cent of the total aggregated amount of pledges for the replenishment period, calculated using the reference exchange rate for the first replenishment period<sup>17</sup>. This may be reviewed within the context of the FRMF and upon further development of the risk appetite of the GCF.

23. In case there is a risk of breaching this limit due to foreign exchange impact or the newly pledged contribution amounts, the Board may review the situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.

24. Also, during the pledging session, individual contributors would be encouraged to limit the individual capital component of their total contribution amount. If the total amount of capital contributions is greater than the aggregate capital limit, the Board may review the situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.

25. **Payment of grant and capital contributions:**

(a) **Method of payment:** Payments may be made in cash or, at the option of the contributor, and with the agreement of the GCF and the Trustee, by depositing, in a designated custody account, non-negotiable, non-interest-bearing promissory notes, to be drawn down in cash on demand;

(b) **Encashment of Promissory Notes:** For those contributors who elect to make contributions in the form of promissory notes, the encashment of promissory notes will be based on an encashment schedule agreed between the contributor and the GCF, taking into account the expected programming of the GCF and resulting cash requirements. To the extent possible, the encashment schedule will be agreed among the parties allowing encashment on specific dates. While the encashment will be based on need, the period within which the encashment take place shall not exceed nine years

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<sup>15</sup> Capital contributions may also not be used for administrative budgets or AE fees.

<sup>16</sup> The figure of 10 per cent is an estimate of total costs and fees and in no way presupposes a Board decision on AE or other fees or costs of the GCF.

<sup>17</sup> It was agreed by the participants at the first consultation meeting held in Oslo, Norway during 4 to 5 April 2019 to adopt the six-month period from 1 February to 31 July 2019 as the time period for the calculation of the reference exchange rates.

starting from the beginning of the relevant replenishment period. This can be reviewed again during the subsequent replenishment process; and

- (c) **Encashment schedule:** For the purposes of encashment, the following indicative schedule may apply:

**Table 2: Indicative encashment schedule for the first replenishment period**

<b>Calendar Year</b>	<b>Percent of Contribution</b>
2020	6.7%
2021	11.7%
2022	15.6%
2023	12.3%
2024	11.9%
2025	11.9%
2026	11.3%
2027	10.4%
2028	8.2%
<b>Total</b>	<b>100.0%</b>

26. For those contributors that choose to accelerate their cash payment or encashment schedule compared to the original or standard schedule, a credit will be provided which will be added to the nominal pledge amount. This credit will be calculated as the difference between the present value of the standard encashment schedule and the contributor's encashment schedule. The discount rate for calculating the present value will be based on the estimated investment return on the GCF's liquidity over the term of the encashment schedule. For the purposes of the first replenishment period, the discount rate would be 1.5 per cent. The encashment schedule will in no way prejudice the operation of the GCF in terms of programmatic decisions and disbursement profile. The encashment schedule may be reviewed in the future replenishment processes based on the approved projects' projected disbursement needs.

27. The Secretariat may also agree with the relevant contributor to encash promissory notes on a basis other than that of the indicative encashment schedule as long as the revised encashment schedule is no less favourable to the GCF than the indicative encashment schedule, in present value terms. Any credits gained from this revision may be reported.

## **VI. Conditions for loan contributions**

28. To ensure the financial sustainability of the GCF, transparency and equal treatment of contributors, there will be no cross-subsidization between providers of grants and providers of loans.<sup>18</sup>

29. Loan contributions will be used to finance loans on terms less concessional than the loan contributions and will be unavailable for non-reimbursable uses, such as to provide grants, to finance the administrative budgets, and AE fees. Therefore, loan contributors would be required to provide a grant contribution to cover administrative budgets and AE fees. The amount of the

<sup>18</sup> Decision B.07/05, Annex XI, paragraph 2(c).

additional grant contribution required should be at least 10 per cent of the amount of the pledged loan contribution. The amount may be adjusted based on analysis of actual administrative budget approved during the replenishment period, AE fees, and any other factors.<sup>19</sup>

30. For the first replenishment period, the GCF will continue to set the prudential debt limit (defined below) at 20 per cent, calculated using the foreign exchange rate at the end of the previous quarter or other latest foreign exchange rates as agreed. In case there is a risk of breaching the prudential debt limit due to foreign exchange impact or a newly pledged contribution amount, the Board may review the situation to either allow the limit to increase or request that the situation be rectified in order to maintain the limit of 20 per cent.

31. For the purposes of this Policy for Contributions, the prudential debt limit shall be defined as the total amount of pledges and/or contributions confirmed by fully executed contribution agreements/arrangements during the replenishment period in the form of loans as a percentage of the aggregate total amount of pledges and/or finalized contributions confirmed by fully executed contribution agreements/arrangements at any point during the relevant replenishment period.

32. The prudential debt limit will be reviewed in the subsequent replenishment process(es) within the context of the FRMF or other relevant policies upon further development of the risk appetite of the GCF:

- (a) **Implementation of the prudential debt limit:** The limit will be managed on an aggregate basis. During the pledging session, individual contributors would be encouraged to limit the individual loan component of their total contribution amount. The loan contribution of individual contributor should be no higher than 40 per cent of their total contribution, unless the grant contribution from that individual contributor exceeds the grant contribution provided to the previous resource mobilization period. If the total amount of loan contributions is greater than the prudential debt limit, the Board may review the situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.
- (b) A review of the implementation of the prudential debt limit will be undertaken by the Secretariat based on actual loan, grant and capital contributions paid.
- (c) **Reporting of the grant equivalence of a loan contribution:** Funding received and extended by the GCF will be accounted for in grant-equivalent terms based on a standard methodology, to be developed by the GCF based on best international practices, to provide an accurate comparison of funding amounts between financial instruments.<sup>20</sup> To calculate grant equivalency of loan contributions, a discount rate of 2.70 per cent for loan contribution with 40 year maturity and 2.35 per cent for loan contribution with 25 year maturity will be utilized for the first replenishment period. Indicative calculations using 2.70 and 2.35 per cent discount rate are presented in Appendix II attached to this Policy for Contributions. The full-face value amount of the loan contribution shall be used for the purpose of calculating the commitment authority for GCF (see section VII), and the prudential debt limit;
- (d) **Loan drawdowns:** The proceeds of the loan contributions, payable in cash, will be held in the Trust Fund. Loan contributions will be drawn down on a schedule agreed by the GCF and contributor;

<sup>19</sup> The figure of 10 per cent is an estimate of total costs and fees and in no way presupposes a Board decision on AE or other fees or costs of the GCF.

<sup>20</sup> Decision B.07/06, annex XIV, paragraph 2(b).

- (e) **Provisions for non-performing loans:** Losses from non-performing loans will be borne on a pro-rata basis by contributors whose contributions were allocated to loans. Should any loan extended by an AE for a project or programme it implements be overdue, the Trust Fund may not have sufficient cash to fulfil payment obligations to the loan contributors. Based on the Board decisions on the FRMF,<sup>21</sup> to further avoid cross-subsidization between providers of grants and providers of loans:
- (i) The Secretariat will track loan performance and resource flows; and
  - (ii) Any financial losses will be borne on a pro-rata basis by contributors whose loan, grant or capital contributions were used by the GCF to extend loans, in line with the principle of no cross-subsidization between loans, grants and capital contributions;
- (f) The provisions for non-performing loans with respect to the loan contributors are as follows:
- (i) **Cash-flow monitoring and modelling by the Secretariat:** As noted above, the role of the FRMF and the Secretariat will be crucial to the management of contributions, and particularly the tracking of loan contribution cash flows; and
  - (ii) **Cushion and write-down of loans:** In addition to the grant contribution amount required to cover administrative budgets and AE fees (described in paragraph 29 above), loan contributors will also provide an additional grant contribution in respect of the cushion for non-performing loans. In accordance with the prudential debt limit considerations and principle of no cross-subsidization, a portion of the total grant contributions provided by loan contributors would be in respect of a cushion for non-performing loans, to be held as part of the assets of the Trust Fund, and available for use to make payments to loan contributors in the event reflows from outgoing loans are not sufficient to cover repayments due to contributors.<sup>22</sup> The amount of the cushion can be refined as sufficient data on the actual performance of the GCF's portfolio is collected. Refinements will be based on a realistic (quantitative) assessment of the risks the GCF has taken and is prepared to take on (the GCF's risk appetite) and an analysis of the GCF's expected cash flows, based on default rates and other assumptions. If, despite all reasonable efforts to maintain the risk profile of the portfolio of the GCF in line with the agreed risk appetite, the cushion proves to be inadequate, the loan contribution agreements will require that the loan contributors make additional grant contributions (and/or write-down against the payment of interest and principal repayment of loan contributions). During the early stages of implementation, it is difficult to determine the level of non-performing loans and any related impact. Accordingly, the GCF will continue to maintain a cushion of 20 per cent of the total loan amount for the loan contributor during the first replenishment. In the event there is an excess amount of cushion, as determined by the Secretariat and the loan contributors, the excess amount may be released and may be used as a grant contribution. Loan cushions will not count toward grant equivalency or individual debt limit calculations. A review of the required level of cushion will be undertaken by the Secretariat in the subsequent replenishment process.
33. **Terms of loan contributions:** The terms of loan contributions will ensure that the average level of concessionality of outgoing loans will be less than the average concessionality

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<sup>21</sup> Decision B.07/05.

<sup>22</sup> Reflows are expected to be insufficient until such time as interest payments are received on financing extended by the GCF.

level of incoming loan contributions, with a sufficient margin to cover a credit risk.<sup>23</sup> Proposed loan contribution terms are contained in Appendix I to this Policy for Contributions.

## VII. Commitment authority

34. Funding decisions<sup>24</sup> will be made against the total amount of available resources in the form of cash and promissory notes in the Trust Fund, calculated based on the foreign exchange rate at the end of the previous quarter or other latest foreign exchange rates as agreed, at the time of calculation.

35. Based on the tracking by the GCF, as part of the implementation of the FRMF, it is expected that there will always be sufficient commitment authority available in the Trust Fund to meet the GCF's obligations and support the funding decisions. In the unlikely event there is insufficient commitment authority, funds will be committed and transferred in the following order of priority:

- (a) Payment of administrative budgets and AE fees, to be made from resources available in the Trust Fund, except for capital and loan contributions;
- (b) Transfers to AEs for projects and programmes, to be made based on resources available in the Trust Fund and subject to the uses of each types of contributions; and
- (c) Payment of interest and repayment of loans to the loan contributors, to be made from:
  - (i) Reflows received by the GCF from loans extended to AEs; and
  - (ii) The cushion described above, in line with the principle of avoiding cross-subsidization between grants and loans.

## VIII. Liquidity risk management

36. Liquidity risk in relation to contributions represents the possibility of not having sufficient available cash in the Trust Fund to meet payment obligations of the GCF, including cash transfers for projects and programmes and debt service payments to loan contributors. Liquidity concerns would arise, if the GCF's cash position was lower than its scheduled or unscheduled payment obligations at any point in time.

37. In accordance with the Board decision on the GCF's FRMF and RMF, mechanisms are put into place to ensure that liquidity risk in relation to contributions is closely managed and monitored by the GCF.<sup>25</sup> Under the mechanisms to manage this liquidity risk, the GCF will:

- (a) Commit only against available cash and promissory note deposits;
- (b) Closely monitor the risk of non-payment;
- (c) Closely monitor and report to the Board on non-receipt of contributions on schedule; and
- (d) Set aside a financial reserve from the funding available for the minimum liquidity requirements as determined by the GCF's RMF.

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<sup>23</sup> Decision B.07/05. The form and process for acceptance of promissory notes will be subject to agreement by the GCF and the Trustee.

<sup>24</sup> Funding decisions include Board decisions on funding proposals, the readiness program, the Project Preparation Facility, accredited entity management fees, any approved set asides, the administrative budget (including for the independent units) and any other financial commitments made by the Board.

<sup>25</sup> Decision B.07/05.

## IX. Managing risk of non-payment of contributions

38. Related to liquidity management is the risk that:
- (a) Pledges are not converted into signed agreements/arrangements to provide contributions;
  - (b) Instalment payments, deposits and encashments under the signed agreements/arrangements are not paid or deposited on time; and
  - (c) The non- encashments of promissory notes, or lack of liquidity, could affect the disbursements to the approved programmes and projects.
39. Non conversion of pledges into signed agreements, non-receipt of the payments in cash or deposit of promissory notes, or non-encashment of promissory notes will affect commitment authority of the GCF.<sup>26</sup>
40. Any pledges that are not converted into fully executed agreements/arrangements and non-payment of contributions will be reported regularly to the Board by the GCF as part of its reporting to the Board on the status of the resources. The Secretariat should regularly and actively engage with the relevant contributors to review and seek to address the situation, if any.

## X. Foreign exchange risk management

41. Foreign exchange risk will be managed in the confines of the GCF's RMF.<sup>27</sup> In practice, foreign exchange risk as it relates to contributions can involve future expected encashments of promissory notes, cash payments not yet received, promissory notes not yet deposited and unencashed, and reflows needed to repay loan contributions. Foreign exchange risk can be mitigated by matching currencies of loan contributions to the currencies of the GCF's commitments to AEs. Foreign exchange risk will be monitored and considered as part of the development of any approach to mitigate the impact of foreign exchange rate volatility on contributions. Pursuant to the RMF, any hedging strategy would only be developed considering recommendations from the Risk Management Committee with agreement, where appropriate, from the Board.
42. For the purpose of reporting the pledges/contributions, GCF may use multiple currencies, as part of the monitoring of foreign exchange risks.

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<sup>26</sup> The risk of inability to encash promissory notes is not considered here; it is deemed to be low based on the prevalence of the requirement for budget and legislative authority by the contributor prior to the deposit of promissory notes.

<sup>27</sup> Decisions B.17/11 and B.19/04

## Appendix I: Loan contribution terms

1. It is recommended that the terms of loan contributions be standardized for all contributors. Two options for loan terms may be chosen:
  - (a) A more concessional option (Option 1); and
  - (b) A less concessional option (Option 2).
2. Standardized loan terms applicable during the initial phase of the GCF's operation would facilitate risk and cash flow management by the GCF.
3. These terms will apply for the first replenishment period, and may be reviewed in the future, during the subsequent replenishment processes. They may also need to be reviewed based on the terms chosen by the Board for concessional lending by the GCF, to ensure that such terms (maturity and interest rate) of loan contributions are more concessional than the high concessional loans to the projects from the GCF, which has 0 per cent and 40 years maturity.
  - (a) **Loan contribution size:** The maximum size of the loan contribution acceptable to the GCF would depend on the prudential debt limit set out in paragraph 30 of this Policy for Contributions;
  - (b) **Maturity:** The maturity of loan contributions will be 40 years for Option 1 and 25 years for Option 2;
  - (c) **Grace period:** The grace period of loan contributions will be 10 years for Option 1 and 5 years for Option 2 and will apply to interest and principal repayments;
  - (d) **Principal repayments:** Straight-line amortizing repayment schedule after the grace period; payments every six months;
  - (e) **Interest rate:** Loan contributions will attract a fixed coupon rate of up to 1 per cent per annum; payments every six months (applicable to Option 1 and Option 2) after the grace period; and
  - (f) **Drawdown of loan proceeds:** The GCF will draw down loan funds from contributors as agreed between the GCF and contributor.

## **Appendix II: Calculation of grant element**

### **Indicative grant equivalence of the Fund loan contributions**

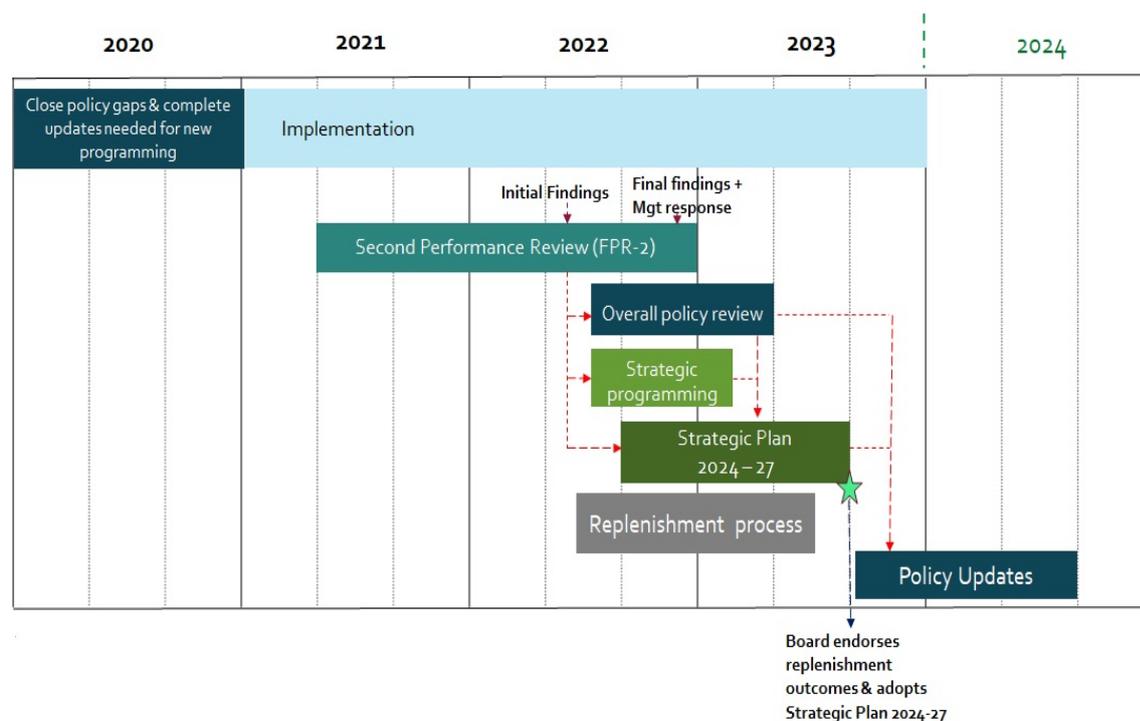
Grant equivalence under different assumptions with respect to loan terms are presented below (assuming four-year fixed drawdown period):

<b>Maturity</b>	<b>Grace period</b>	<b>Interest rate</b>	<b>Discount rate</b>	<b>Grant equivalence</b>
40	10	1.00% p.a.	2.70% p.a.	34.51%
40	10	0.00% p.a.	2.70% p.a.	44.01%
25	5	1.00% p.a.	2.35% p.a.	16.91%
25	5	0.00% p.a.	2.35% p.a.	24.99%

## Annex II: GCF policy cycle for 2020 – 2023

1. The policy cycle for the GCF over the first replenishment period is presented in figure 1.

Figure 1: GCF policy cycle for 2020–2023



2. Under the policy cycle:

- (a) **Year 1 (2020)** would be dedicated to closing policy gaps and completing and/or re-aligning existing mandates and any policy updates needed for programming in the new replenishment period;
- (b) **Year 2 (2021)** would allow for ongoing policy implementation and learning;
- (c) **Year 3 (2022)** would examine the performance, coherence and impact of GCF policies both through the Forward-Looking Performance Review of the GCF and an “overall policy review” based on the Secretariat’s experience working with partners on policy implementation. Building on the findings of the Forward-Looking Performance Review of the GCF, this review would more precisely identify any policy updates needed, to feed into the Board’s strategic planning; and
- (d) **Year 4+ (2023–2024)** would conclude the replenishment process and strategic planning for the next programming period, identifying priority policy updates. The Board could then start to consider and execute policy updates, with a view to having updated policies ready in time for or soon after the start of the new programming period.

## Annex III: Workplan of the Board for 2020–2023<sup>1</sup>

Key	
Items in red text	Current gaps
- Bulleted items	Components of the shaded item directly above
[In square brackets]	Items that are yet to be adopted but are on the B.24 agenda

**Table 1: Policy matters, programmes and processes**

	Items	2020	2021	2022	2023	2024
<b>I. Policy matters</b>						
Resource mobilization	Policies for contributions					Updated policies for contributions
	Policy for contributions from alternative sources	Policy for contributions from alternative sources				Updated policy for contributions from alternative sources
Accreditation framework	Accreditation framework	Updated accreditation framework				
	- [PSAA]					
	- Additional policy guidance for AMAs					
	- Legal & formal arrangements with AEs					
	Policy on fees and general principles					

<sup>1</sup> The workplan as presented is built on existing Board mandates and practices as of the publication date of this document. It does not include proposals yet to be agreed by the Board, such as the 2020 work programme of the Independent Evaluation Unit, which, following Board approval, would be reflected in the subsequent update to the Board workplan.

	Items	2020	2021	2022	2023	2024
	Monitoring and accountability framework					
Fiduciary standards	Fiduciary standards	Review initial Fiduciary Standards, including: - AML-CFT integration - SEAH integration - Whistle-blower and Witness Protection Policy integration				
	- AML-CFT Policy integration					
	- Policy on the Prevention and Protection from SEAH integration					
	- Whistle-blower and Witness Protection Policy integration					
Sustainability and gender	E&S management system		Adopt GCF ESS including Policy on the Prevention, and Protection from SEAH integration		Review E&S Policy	
	- Policy on the Prevention and Protection from SEAH integration					
	Indigenous Peoples Policy				Review Indigenous Peoples Policy	
	[Updated Gender Policy]				Review Gender Policy	
Integrity policies	Prohibited Practices Policy				Review of the integrity policies	
	AML-CFT Policy					
	- AML-CFT standards					
	Whistle-blower and Witness Protection Policy					
	SEAH Policy					

	Items	2020	2021	2022	2023	2024
	Administrative remedies and exclusions policy	Administrative remedies and exclusions policy				
Investment framework	Initial investment framework	Mapping eligibility & selection criteria			Review of the investment framework	
	- Activity-specific sub-criteria					
	- Investment criteria indicators					
	- Scaling pilot					
	- Incremental and full cost methodology	Incremental and full cost methodology				
	[Co-financing policy]					
	Policy on concessionality	Policy on concessionality				
	Financial terms and conditions of GCF financial instruments					
	Policy on Restructuring and Cancellation					
Country ownership guidelines						
Programmatic approach policy guidelines	Programmatic approach policy guidelines					
Risk management framework	(i) Risk register				Review of the risk management framework	
	(ii) Risk appetite statement					
	(iii) Risk dashboard					
	(iv) Risk guidelines for funding proposals					
	(v) Investment risk policy					

	Items	2020	2021	2022	2023	2024
	(vi) Non-financial risk policy					
	(vii) Funding risk policy					
	(viii) Compliance risk policy					
	ix) Legal risk policy	Adopt legal risk policy				
	Financial risk management framework					
	Results management framework	Adopt updated results management framework, including addressing gaps in the current portfolio for measurement			Review of the results management framework	
	- GCF initial results areas					
	- Performance indicators of initial results areas					
	- Mitigation and adaptation PMF					
	- REDD-plus logic model and PMF					
	- Gaps for measurement in the portfolio					
Private Sector Facility (PSF) modalities	PSF modalities		Review initial PSF modalities			
	For the Board					
	For External Members of the Green Climate Fund Panels and Groups					
	For Board-appointed officials of the Green Climate Fund					

	Items	2020	2021	2022	2023	2024
	For the Executive Director of the Green Climate Fund Secretariat					
	For Active Observers of the Green Climate Fund					
Observers	Observer guidelines		<u>Review guidelines on observer participation</u>			
IDP	IDP		<u>Review IDP including alignment with the ESMS</u>			
	- Alignment with the ESMS					
IUs	[Evaluation Policy]				Review Evaluation Policy	
	[Guidelines for the effective functioning of the IEU]	Guidelines for the effective functioning of IEU				
	Procedures & guidelines for the IRM					
Administration	Administrative policies of the GCF					
	- HR guidelines		<u>Updated HR legal framework</u>			
	- Staff salary structure (of January 2014)	<u>Updated salary structure</u>				

## II. Programmes

	Items	2020	2021	2022	2023	2024
Readiness and Preparatory Support Programme	Readiness and Preparatory Support Programme (Readiness Programme)	Review and update Readiness Programme for 2020–2023 and funding allocation			Review and update Readiness Programme 2024–2027	
PPF	PPF	PPF evaluation and review				
RFPs	Enhancing direct access RFP	Review of RFPs and funding allocations			Review of RFPs and funding allocations	
	Micro, small and medium-sized enterprises RFP					
	Mobilizing funds at scale RFP					
	REDD-plus RFP					
	Support for technology RFP					
<b>III. Governance and processes</b>						
Performance reviews, programming and replenishment	Performance review			Second GCF performance review and management response		
	Policy review			Overall review of fund policies		
	Replenishment process			Initiate replenishment	Consider replenishment outcomes	
	Strategic programming			Strategic programming for replenishment		
	Strategic Plan					Adopt Strategic Plan 2024–2027

	Items	2020	2021	2022	2023	2024
Proposal Approval Process (PAP)	PAP					
	- No objection procedure					
	Two-stage PAP			Options for two-stage PAP		
	Simplified Approval Process (SAP)	SAP review				
Evaluations and advisory reports	Evaluations	ESMS evaluations				
	Project evaluations	LORTA findings				
	Advisory reports	Two advisory reports				
Board processes	Rules of Procedure of the Board					
	Decision-making in the event that all efforts at reaching consensus have been exhausted					
	Decision-making without a Board meeting		Guidelines on decision-making without a Board meeting			
	Procedure for consideration of IRM reports	Procedure for consideration of IRM reports				
Committees, panels and groups	Committee TORs <sup>a</sup>	Review of committees, panels and groups				
	PSAG TOR					
	AP TOR and appointments	AP – performance review and appointments				AP – performance review and appointments

	Items	2020	2021	2022	2023	2024
	Independent TAP TOR	TAP – review of structure and operations				
	Independent TAP appointments		TAP – performance review and appointment			
Oversight of Board-appointed officials	TOR of IEU Head and appointment			IEU Head – performance review and appointment		
	TOR IIU Head and appointment			IIU Head – performance review and appointment		
	TOR of IRM Head and appointment			IRM Head – performance review and appointment		
	IU Head evaluation procedures	IU Head performance criteria and process for annual evaluations				
	ED TOR			ED – performance review and appointment		
	ED performance evaluation procedures					
IUs/Secretariat	Secretariat – IU arrangements		Secretariat – IU arrangements			
Foundational	Arrangements with the Conference of the Parties (COP)					
	Draft provisions for P&Is					
	Co-Chairs' proposal on P&Is		Co-Chairs' proposal on P&Is			
	Trustee TOR			Trustee TOR review		

	Items	2020	2021	2022	2023	2024
	TOR for the external auditor					
	TOs for the IEU					
	TOR for the IIU					
	TOR for the IRM					
<b>IV. OTHER</b>						
Adaptation approach	GCF support to adaptation	GCF support to adaptation				
<b>Agenda item count</b>	<b>Annual totals</b>	26	10	10	16	

*Abbreviations:* AEs = accredited entities, AMA = accreditation master agreement, AML-CFT = anti-money-laundering and countering the financing of terrorism, AP = Accreditation Panel, E&S = environmental and social, ED = Executive Director, ESMS = environmental and social management, ESS = environmental and social safeguards, HR = human resources, IDP = Information Disclosure Policy, IEU = Independent Evaluation Unit, IIU = Independent Integrity Unit, IRM = Independent Redress Mechanism, IUs = independent units, LORTA = learning-oriented real-time impact assessment, P&Is = privileges and immunities, PAP = proposal approval process, PMF = performance measurement framework, PPF = Project Preparation Facility, PSAA = project-specific assessment approach, PSAG = Private Sector Advisory Group, RFP = request for proposal, SAP = simplified approval process, SEAH = sexual exploitation, abuse and harassment, TAP = Technical Advisory Panel, TOR = terms of reference.

<sup>a</sup> Includes TORs for Accreditation Committee, Performance Oversight Committee of the Executive Director and Heads of Independent Units, Budget Committee, Ethics and Audit Committee, Investment Committee, and Risk Management Committee

**Table 2: Mandates to be taken up under the 2020–2023 Strategic Plan or assigned to committees or the Secretariat**

<b>Matters to be taken up under the Strategic plan for 2020–2023</b>	
Taken up under the Strategic Plan 2020–2023	Steps to enhance climate rationale
	Complementarity and coherence framework
	Alternative approaches to management of forests
	Additional analysis of investment priority areas
	Private sector strategy
	Private sector engagement in least developed countries and small island developing States
	Private sector in adaptation action
	Private sector in forestry
<b>Assigned to the Secretariat, with the proviso to bring any recommendations requiring Board action back to the Board</b>	
Assigned to the Secretariat	Developing risk rating models
	Initial guidelines for country programmes
<b>Reviews to be overseen by committees, and, if action by the Board is required as a result of the reviews, the committees to present recommendations to the Board for its consideration and approval</b>	
Investment Committee	Review of the financial terms and conditions of grants and concessional loans in 2020 and 2022
	Review of the investment criteria indicators by 2021
Risk Management Committee	Review of the initial financial risk management framework in 2020
	Review of the risk management framework (components I–VII) in 2020
<b>To be considered by committee for the committee to present to the Board any recommended action for its consideration</b>	
Budget Committee	The initial analysis of options to minimize currency fluctuations in 2020

**Table 3: Standard items addressed across the three Board meetings each year**

	First Board meeting	Second Board meeting	Third Board meeting
Approvals	Funding proposals	Funding proposals	Funding proposals and PSAA proposals (expected from B.27)
	Accreditation proposals	Accreditation proposals	Accreditation proposals
	Previous Board meeting report and noting Board decisions proposed between meetings	Previous Board meeting report and noting Board decisions proposed between meetings	Previous Board meeting report and noting Board decisions proposed between meetings
	Confirm dates of the next meeting	Confirm dates of the next meeting	Confirm dates of the next meeting
	Addressing guidance from the COP	GCF reports to the COP	Secretariat work programme and administrative budgets
		Dates of Board meetings of the following year and venues ( <i>Decision B.17/24, para. (c)</i> );	Workplans and budgets of the independent units
		Audited financial statements	Election of Co-Chairs
Secretariat reports	Secretariat activity reports, including: <ul style="list-style-type: none"> <li>· Implementation of the Secretariat's work programme;</li> <li>· Legal and formal arrangements with AEs;</li> <li>· Execution of the administrative budget</li> </ul>	Secretariat activity reports, including: <ul style="list-style-type: none"> <li>· Implementation of the Secretariat's work programme;</li> <li>· Legal and formal arrangements with AEs;</li> <li>· Execution of the administrative budget</li> </ul>	Secretariat activity reports, including: <ul style="list-style-type: none"> <li>· Implementation of the Secretariat's work programme;</li> <li>· Legal and formal arrangements with AEs;</li> <li>· Execution of the administrative budget</li> </ul>

	<b>First Board meeting</b>	<b>Second Board meeting</b>	<b>Third Board meeting</b>
	<ul style="list-style-type: none"> <li>· Status of the GCF pipeline, including PPF requests</li> <li>· Status of the GCF portfolio: approved projects and fulfilment of conditions</li> <li>· Status of GCF resources</li> </ul>	<ul style="list-style-type: none"> <li>· Status of the GCF pipeline, including PPF requests</li> <li>· Status of the GCF portfolio: approved projects and fulfilment of conditions</li> <li>· Status of GCF resources</li> </ul>	<ul style="list-style-type: none"> <li>· Status of the GCF pipeline, including PPF requests</li> <li>· Status of the GCF portfolio: approved projects and fulfilment of conditions</li> <li>· Status of GCF resources</li> </ul>
	· Draft audited financial statements	Annual assessment of the application of the country ownership guidelines	Annual portfolio performance report
	· Annual report on the implementation of the Policy on the Prevention and Protection from SEAH		
	· Annual report on lessons learned implementing the 2020–2023 policy cycle (expected from 2021)		
	· Annual report on the implementation of the Readiness and Preparatory Support Programme strategy		
	· Annual report on the implementation of the Strategic Plan		
<b>2020 only</b>  Secretariat reports with the proviso to bring any recommendations requiring a Board	Consideration of assessments on: Review of progress on the implementation of the Readiness and Preparatory Support Programme, including: <ul style="list-style-type: none"> <li>- Actions taken and progress achieved by countries on the implementation and</li> </ul>		Further guidance on the Secretariat's recommendation on the consistency of conditions attached to funding proposals with the GCF policies (decision B.16/02, para. (1))

	<b>First Board meeting</b>	<b>Second Board meeting</b>	<b>Third Board meeting</b>
<b>decision back to the Board</b>	<p>outcomes of approved readiness activities</p> <ul style="list-style-type: none"> <li>- A reassessment of the per year, per country readiness commitments to individual countries</li> <li>- Impacts on the Readiness and Preparatory Support Programme, of Board decisions taken on the:               <ol style="list-style-type: none"> <li>(1) First formal replenishment of the GCF;</li> <li>(2) Review of the accreditation framework;</li> <li>(3) Recommendations from the independent evaluation of the Readiness and Preparatory Support Programme;</li> </ol> </li> </ul> <p><i>(Decision B.22/11, para. (j))</i></p>		
	<p>Cost-benefit analysis for Board meetings held outside GCF Headquarters, and options for engaging with stakeholders and realities in developing countries</p>		
<b>Independent unit reports</b>	<p>Activity reports of the IEU, IIU, IRM and IAP</p>	<p>Activity reports of the IEU, IIU and IRM</p>	<p>Activity reports of the IEU, IIU and IRM</p>

	<b>First Board meeting</b>	<b>Second Board meeting</b>	<b>Third Board meeting</b>
<b>Board reports</b>	Co-Chairs report, including the updated Board workplan for 2020–2023 with COP guidance incorporated	Co-Chairs report	Co-Chairs report
	Reports from committees, panels and groups	Reports from committees, panels and groups	Reports from committees, panels and groups
			Co-Chairs presentation of agenda items for Board meetings of the following year
<b>Agenda item count</b>	<b>First Board Meeting total: 9</b>	<b>Second Board Meeting total: 10</b>	<b>Third Board Meeting total: 13</b>

*Abbreviations:* COP = Conference of the Parties (to the United Nations Framework Convention on Climate Change), IAP = Information Appeals Panel, IEU = Independent Evaluation Unit, IIU = Independent Integrity Unit, IRM = Independent Redress Mechanism, PSAA = project-specific assessment approach, SEAH = sexual exploitation, abuse and harassment.

## **Annex IV: Work programme of the Secretariat for 2020 and administrative budget**

### **I. Introduction**

1. The Governing Instrument for the GCF states that “the GCF will promote the paradigm shift towards low-emission and climate-resilient development pathways and make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community” “by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.” The climate change goal set in the 2015 Paris Agreement is: “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C”. These key provisions of the Governing Instrument help guide the work of the GCF and its Secretariat.

2. To support those efforts, paragraph 23(e) of the Governing Instrument directs the Secretariat “to develop the work programme and annual administrative budget of the Secretariat and trustee and submit them for approval by the Board”. This document is submitted in fulfilment of that requirement. It includes: in annex V, an administrative budget covering the Board, the Secretariat and the Trustee; and, in annex VI, a results management framework to support the Secretariat and the Board in assessing the Secretariat’s progress on key work programme targets.

3. The Secretariat’s proposed 2020 work programme builds on a substantial body of foundational work that was undertaken in 2019. In particular, during 2019 the GCF policy and governance frameworks were enhanced in significant ways. Among other things, the Board advanced the vision for the Readiness and Preparatory Support Programme (Readiness Programme), adopted a suite of risk management components and integrity policies, adopted a new set of investment criteria indicators, and finalized an agreement on a process for decision-making in the event that all efforts at reaching consensus have been exhausted. In addition to these initiatives, and in a broader sense, the Board and the Secretariat have been able to consider lessons learned during the initial resource mobilization (IRM) period and review key operational modalities of the GCF. These efforts, which were aided by Independent Evaluation Unit evaluations of the Readiness Programme, the GCF results management framework, and the first Forward-Looking Performance Review of the GCF (FPR), have supported substantial progress in the development of a roadmap for strategic programming and the 2020–2023 Strategic Plan for the first replenishment period of the GCF (GCF-1). In addition, the GCF has clarified its strategic vision and its mitigation and adaptation logic frameworks through a theory of change that delineates how “GCF promotes a paradigm shift in developing countries towards low-emission, climate-resilient development pathways in line with the goals of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement”. This effort, which articulates key outcomes, outputs and activities, will serve as a strong basis for creating a common understanding of the goals and requirements of the GCF and, together with a number of significant initiatives that the GCF will implement in 2020, will support accredited entity (AE) efforts to deliver higher quality, more transformational proposals for the Board’s consideration.

4. The work above, and the substantial input of the Board and GCF stakeholders, has also enabled a clearer articulation of the comparative advantages of the GCF as a de-risking entity in the climate finance landscape. As a flexible, collaborative, country-driven fund, the GCF can work in an unprecedented manner with a broad array of public and private stakeholders and financial instruments. The GCF is also uniquely placed to provide grant instruments for policy

de-risking and non-grant instruments for financial de-risking to demonstrate and scale up innovative and high impact projects. The GCF mandate to achieve a balance between mitigation and adaptation, leverage the essential participation of the private sector, and accept higher risks in the quest for climate impact enable it to deploy assets and achieve synergies that no other single institution can match. The work of the GCF provides a double dividend: it not only achieves impact; it provides confidence that enables developing countries to establish successively more ambitious climate goals.

5. With clarity on the strengths of the GCF and its theory of change to achieve transformative change, the substantial lessons learned from the IRM period, and the significant work accomplished in 2019, the GCF is poised to assume the vision for it that was expressed in the Governing Instrument, enabling it to “become the main global fund for climate change finance” and to deliver a “significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change”.

6. This work programme is designed to provide the Board with a view of the initiatives that the Secretariat needs to undertake in 2020 to step into that global leadership role and achieve, during GCF-1, the significant and ambitious contribution that the global community expects and needs. The work programme links those 2020 initiatives to related business model and operational priorities. In some instances, they are also linked to key performance indicators (KPIs) included in the results framework found in annex VI to this document. That results management framework documents some of the results that the Secretariat expects to deliver in the implementation of the 2020 work programme.

7. While the work programme generally presents the work of the Secretariat in an integrated manner, the Budget Committee has requested the Secretariat to continue to break out indicative budgets of the Secretariat’s major units. Those unit-specific sections present indicative ranges or figures for such categories as headcounts, travel, consultants and contractual services, understanding that those figures are provided for informational purposes only and are likely to shift during the year. The unit-specific sections also round out the work programme by moving beyond initiatives, describing the broad work of those units and providing a list of priority 2020 deliverables for each unit. Finally, in an effort to address the request of the Budget Committee to consider output-based budgeting, the budget section includes an initial attempt to link the Secretariat’s administrative budget with the key Secretariat priorities that are included in the 2020 work programme.

## 1.1 Finishing the work of the initial resource mobilization/finalization of the Strategic Plan for the GCF 2020–2023

8. A key 2020 Secretariat priority will be **supporting the Board in approving the Strategic Plan for the GCF 2020–2023 (2020–2023 Strategic Plan) for GCF-1**. Once approved, this plan will serve as an overarching guide for all GCF stakeholders, and the Secretariat will move towards its implementation. Another major focus of the Secretariat’s 2020 work will be on supporting Board efforts to wrap up a number of tasks in its workplan that are remaining from the IRM period, including the filling of outstanding policy gaps, the review of access modalities and the review of institutional and investment framework matters. The Secretariat’s 2020 work programme frames that ongoing work in the context of six GCF-level priorities. Three of the 2020 priorities relate primarily to business model enhancements, and three relate to the operational model.

## 2020 priorities for business model enhancements

- (a) Strengthen country-driven planning and partnerships with national designated authorities (NDAs) to originate and deliver high-quality, innovative and scalable investments to realize paradigm shift;
- (b) Galvanize the programmatic engagement of the GCF with AEs; and
- (c) Fill key gaps in the GCF policy and governance frameworks.

## 2020 priorities for optimizing performance and operating modalities

- (a) Reduce engagement costs and time to funding by improving the efficiency, effectiveness and transparency of GCF processes and speed of delivery;
  - (b) Adopt dynamic adaptive management of portfolio implementation and strengthen results management of GCF;
  - (c) Consolidate institutional capacities and take initial steps to position the GCF to be a global thought leader and policy influencer in climate finance.
9. Section II will review key initiatives that the Secretariat intends to take in 2020 to advance progress on the above noted priorities.

## II. Initiatives towards the achievement of 2020 work programme priorities

### 2.1 Strengthening country-driven planning and the partnership with national designated authorities to originate and deliver high-quality, innovative, scalable investments

10. **The indispensable partnership of the GCF with NDAs.** Consistent with the GCF business model, NDAs have a responsibility for advancing the GCF country-driven approach by putting forward key priorities that will enable them to advance their national goals and the goals of the Paris Agreement. The following sections will include several initiatives that the Secretariat intends to undertake in 2020 to strengthen the NDA/Secretariat partnership and enable the NDAs to more effectively fulfil their role.

11. **Implementing the new direction of the Readiness Programme.** At the twenty-second meeting of the Board (B.22), the Board agreed on a new direction for the Readiness Programme and related core objectives and outcomes. This revised framework will support operational and process improvements and enhance the programme's focus on planning, programming and pipeline development. While the new programme has many important components that will be discussed below, one component that is designed to provide overall support to sustained national planning is the allowance for the programme to approve multi-year strategic readiness implementation requests. This new funding tool, which will be operationalized in 2020, will enable countries to request and have the assurance of sustained funding for longer term readiness initiatives such as establishing the climate-focused investment and decision-making environments they will need to meet their specific national climate change challenges. It will also enhance programme efficiency by reducing the need for countries to come back with full annual readiness requests. The overall efficiency of the Readiness Programme will also be enhanced through the socialization of the new *Readiness Guidebook*, which will include review criteria and examples of best practices. Finally, a new

information technology tool will enable NDAs to use their country portals to track the real time status of their readiness applications through the approval process.

12. **Increasing the efficiency of country programmes (CPs) and national adaptation plans (NAPs)/processes.** At B.08, the Readiness Programme was authorized to initiate funding for the development of CPs on the basis of a broad, one-page set of initial “general guidelines” on what those programmes “may include.” Until July 2019, GCF readiness support to 122 countries had included some funding for the development of nationally consulted CPs, and, to date, the GCF has received 23 final CPs and 32 draft CPs. Given the general nature of the initial guidance provided, the final CPs have been diverse in nature and have often lacked a strategic focus, a prioritized list of project concepts, and an investment strategy designed to enable national climate goals to be addressed. In 2020, the Secretariat will take a number of steps designed to implement the Board’s direction and support the preparation of country programmes that are more strategic in nature, support longer term planning, and provide better support for the development of a robust GCF pipeline.

13. During 2020, the Secretariat will engage with countries on what will be newly completed CP guidelines that establish clearer expectations and that support the goals of enhancing national engagement (including engagement with civil society and the private sector) and of making CPs a catalyst for climate finance and investment. To that end, those guidelines will emphasize the importance of the development of a list of GCF-aligned project and programme priorities that target developing countries’ highest climate change priorities consistent with their NDCs, NAPs and other climate strategies.

14. In order to support the development of those CP and NAP project lists, **during 2020, the Secretariat will engage with NDAs and AEs to finalize initial sectoral guidance documents.** This multi-faceted engagement will include the initiation of a series of structured programming dialogues centred on this new guidance. The resulting guidance will help countries and AEs assess and prioritize high-impact interventions that fully meet the GCF investment criteria. This guidance and related structured programming dialogues will also support work on the development and strategic consideration of promising adaptation/NAP-inspired project ideas. As of 24 September, NAP/adaptation planning funding has been approved for 30 countries. In addition, 54 proposals are under various stages of review, of which 19 are with the Secretariat and the remainder with NDAs and their delivery partners for review. Considering the known status of requests, the Secretariat has set a target of approving 18 NAP/adaptation planning proposals during 2020.

15. The advancement of NAP/adaptation planning work and the related identification of national priority project concepts will also support Secretariat efforts to track the number of projects and level of funding associated with innovative, country-driven adaptation proposals. This will help **ensure that at least half of the related adaptation funds will go to help the most vulnerable countries** (small island developing States (SIDS), least developed countries (LDCs) and African states). This work will require the Secretariat to develop and implement a clearer framework to account for the adaptation components of cross-cutting projects and programmes as well as the adaptation components of other GCF workstreams. The GCF will also look for opportunities to promote multi-country or regional adaptation projects seeking scalability.

16. **Supporting the development of planning and related policy action and project pipelines.** As noted above, ongoing CP work will pivot towards articulating an initial country-driven list of GCF-aligned project and programme priorities for GCF support developed through a consultative process. That said, during 2020 the Readiness Programme will fund strategic assistance to enable countries to consult more widely and develop short-term, medium-term and longer term mitigation and adaptation/resilience plans. These efforts would be designed to make a real contribution to planning and facilitating the priority investments and policy or

regulatory support that would be requested to move towards low emissions and protect against a future scenario greater than 1.5–2 C.

17. **Beyond planning**, during 2020 the Secretariat will strengthen its partnerships with NDAs by increasing its support to countries requesting assistance in the identification of appropriate AEs. Specifically, the Secretariat will review with countries the lists of priority project concepts emanating from CPs and NAPs and facilitate structured programming dialogues between NDAs and targeted AEs that are most capable of helping to turn their specific project ideas into GCF-aligned project proposals. During those dialogues, and as discussed further below, the use of the Project Preparation Facility (PPF) may be considered.

18. **During 2020, the Secretariat will also work to support an increase in country-driven, GCF aligned direct access entity (DAE) projects.** Direct access to the GCF is one of the core operational modalities included in the Governing Instrument. Consistent with the guidance of the Conference of the Parties (COP) and the decisions of the Board, during 2020 the GCF will support initiatives designed to increase the use of direct access and the number of innovative projects submitted through this modality. The Secretariat will increase the number and diversity of new entities having direct access to the GCF by working with NDAs to help identify and encourage promising national and regional entities to apply for accreditation and increasing support to get them accredited. That work will include reaching out to key national and regional development banks and other entities that have the skills to support the particular needs of each country. In addition, during 2020 the Secretariat expects to be in a position to begin implementing a new project-specific accreditation approach that would facilitate a wider range of entities gaining direct access to the GCF.

19. Experience has shown, however, that accrediting DAEs is only a first step in enabling the submission of high-quality, innovative, GCF-aligned proposals. In that regard, it has become increasingly clear that, in general, DAEs need substantially more support than international access entities (IAEs) in developing well-supported, climate-focused concept notes (CNs) and project proposals. The Secretariat needs to undertake a series of measures during 2020 to address this issue, including setting up a dedicated team to support DAEs.

20. In that regard, and in addition to the preparation of the information tools discussed earlier, a key line of assistance to enable the development of a stronger pipeline of DAE proposals will involve enhancing the support that is provided through the Readiness Programme and the PPF. Specifically, the Secretariat will need to expand its PPF efforts in 2020 to provide upstream technical assistance to DAEs and NDAs, upon their request, to translate promising project ideas into CNs and align and strengthen their project CNs and PPF applications. Currently, a small number of DAEs are receiving this support; given the finding that the major impediment to the wider use of the PPF has been the relatively low quality of CNs and proposals on submission, this type of support will be critical. Additionally, experience has shown that DAEs often need substantial support in moving from CNs to the preparation of full project proposals. To improve the efficiency of implementing project preparation activities after PPF approval, the Secretariat will, during 2020, operationalize a framework to enable procurement from a roster of consultancy firms who can provide project preparation services to AEs upon their request.

21. Enabling DAEs will also be supported through the Secretariat's participation in the Community of Practice for Direct Access Entities initiative. This effort, owned and led by the Adaptation Fund's national implementing entities and the GCF AEs, will enhance knowledge-sharing and help build DAE capacity in a range of areas, including management and accessing climate finance. GCF participation will be led by the Deputy Executive Director of the GCF and will advance a range of readiness and complementarity and coherence goals.

22. **Preparing the independent Technical Advisory Panel (TAP) to support an increase in the number and depth of project reviews.** DAE, simplified approval process (SAP) and adaptation projects tend to be smaller than the average GCF projects while requiring the same or a greater level of effort from the Secretariat and independent TAP for their assessment due to, in general, lower quality at entry. With the increased level of funding available in GCF-1 and the increasing demand for these types of projects, the sheer number of projects needing review will increase. Beyond addressing an increase in the number of projects, the Board has directed the Secretariat to bring to it higher quality projects with fewer conditions and to increase the speed of funded activity agreement (FAA) negotiations and first disbursements. To effectively address both of these issues, it is likely that changes will have to be made to the structure and operation of the independent TAP. Specifically, the Secretariat believes that expanding the independent TAP and enabling it to engage on a rolling basis (rather than on its current time-constrained basis prior to each meeting) would increase the number of projects that can be reviewed, enable the submission of more finalized proposals to the Board with fewer conditions, and help accelerate the movement of approved projects to implementation and first disbursement. To address these matters, the Secretariat will work with the independent TAP and the Investment Committee to advance a specific proposal on this issue.

23. In addition to supporting broad-based country driven programming, during 2020 the Secretariat will undertake a review and propose a way forward with existing requests for proposal (RFPs), and propose a shortlist of concepts for new RFPs. In the process of its RFP review, the Secretariat will also identify measures to optimize the RFP process to enable quicker action and a broadening of the group of entities that can work individually or together to develop and implement related innovative vehicles for climate action. While new RFPs are unlikely to begin funding during 2020, the Secretariat expects that **2020 programming will include multi-country, multi-agency, multi-instrument programmatic interventions** designed to facilitate and accelerate access to GCF resources by simultaneously approving mutually supporting initiatives by a coalition of countries and laying the foundations for subsequent and more predictable programming. These efforts can provide easier access to a broader range of countries (including LDCs, SIDS and African countries) and make use of the full range of GCF partners, instruments and risk appetite. Such programmes can also address diverse country and project needs and more quickly promote innovative, impactful work that may have otherwise not have been funded.

24. One of the comparative advantages of the GCF is its ability to deploy a wide range of instruments to tailor funding packages to meet the unique needs of projects and deliver impact. **In 2020, the GCF will lean into the diversity of its available instruments and its higher risk appetite to demonstrate innovative models for funding paradigm-shifting projects** that might otherwise not have been undertaken. While the IRM level of grant funding will be maintained, during 2020 the Secretariat will be alert to opportunities to diversify instruments by initiating a small shift from concessional lending towards the increased use of risk mitigation instruments such as equity and guarantees in order to mobilize finance from the private sector at higher multiples. In 2020, methodologies will also be developed to more effectively track the level of mobilized private finance.

25. A phased shift in the use of GCF instruments will move forward in tandem with **2020 efforts to finalize and initiate implementation of a new private sector strategy.** Indeed, as noted in the FPR, much of the “scale and additional finance” that the Governing Instrument mandates will only be possible by leveraging the private sector. With that understanding in mind, the GCF private sector strategy will elaborate strategic priorities for engagement with the private sector – from micro, small and medium-sized enterprises (MSMEs) to institutional investors and financial institutions (including national and regional development banks) – with a particular focus on building higher rates of capital mobilization. That engagement will start upstream and include working through the Readiness Programme to **enable greater NDA**

**outreach to the private sector.** It will also involve a concerted effort to identify private sector entities that would make good AEs and help them through the process of accreditation from start to finish. Further, new partnerships will be investigated with a variety of specific aims, including working more closely with banks that set climate finance targets and promoting the green bank model in developing countries.

26. **The private sector strategy will also be designed to catalyse private finance in each of the eight GCF results areas.** A particular area of emphasis during 2020 will be on the development of business models designed to attract increased private investment into work on adaptation and resilience. Finally, and consistent with the theory of change, the Secretariat will initiate work to support NDAs wishing to establish national enabling environments for climate action, including the formulation of key policy reforms that will support the flow of finance.

27. During 2020, GCF will also support broad-based programming by acting as a broker to **help countries navigate the wide range of opportunities in the climate finance landscape.** This will be done through a three-track approach. First, the GCF will work through its complementarity and coherence process with a view to identifying and scaling up proven climate interventions. This work would not only deliver direct impact; it would be aimed at driving down costs to enable these successful interventions to be mainstreamed and contribute more widely to the goals of the Paris Agreement. Second, it will work with its partners to identify where there are opportunities for parallel deployment of instruments or complementary programming across sectors. Finally, the GCF has been invited to **participate in the development of a new, publicly accessible climate investment platform.** This platform, which will be publicly accessible and open to all climate finance actors, will enable proponents of GCF or non-GCF projects to identify project analogues worldwide and assess their structuring. It will also facilitate the mobilization of additional sources of co-financing for GCF or non-GCF activities needing such assistance and/or support project concepts that may not be the best current candidates for GCF funding.

## 2.2 Galvanizing GCF programmatic engagement with accredited entities

28. The overall country-driven approach of the GCF depends on developing countries having the capacity and support to turn the climate ambition of their NDCs, NAPs and other national strategies into climate-supportive enabling frameworks and impactful, GCF-aligned proposals. In turn, the GCF business model depends on AEs having the climate expertise and knowledge of GCF requirements to provide essential project development and implementation support across a broad range of GCF results areas and countries. In order for this circle of knowledge and support to be closed, key policy gaps must be filled and the Secretariat must effectively communicate a comprehensive understanding of the evolving policies, processes and programming priorities of the GCF. In 2020 the Secretariat will undertake a number of initiatives to develop and communicate that critical guidance and strengthen the essential partnership of the GCF with its AEs.

29. In that regard, it is useful to understand the multifaceted nature of the Secretariat's work with the AEs of the GCF. For example, as required by the accreditation master agreements (AMAs), the Secretariat consults with the AEs on the potential impacts that proposed policies and their effective dates will have on the AE's ability to develop and implement country-driven projects and programmes. In this important process (and in many other workstreams), the Secretariat works with the AEs as a collaborator. In contrast, in the review of proposals for such things as compliance with GCF environmental and social, gender and indigenous people's policies, the Secretariat plays more of an enforcer role. Through its PPF, the Secretariat often plays a support role for AEs and, in particular, DAEs. In its interaction with AEs during project implementation, the Secretariat is increasingly playing the role of manager and dynamic

problem solver. Finally, in an effort to ensure that the AEs have a fundamental understanding of GCF requirements and programming priorities, the Secretariat often takes on the role of knowledge provider. This complex group of relationships must be carefully managed to ensure consistency and avoid conflicts. This necessitates a clear, open and high-level channel of communications between the Secretariat and the AEs and NDAs. It also necessitates a clear understanding of the distinction between the second-level technical support services and second-level due diligence services provided by the Secretariat through the project cycle. To manage these important AE relationships, **the Secretariat is moving the primary AE management function to the Office of the Executive Director (OED)**, where it will be overseen by the Deputy Executive Director. In addition, the Secretariat is more directly separating its second level due diligence services from its second-level technical support services to AEs for project origination, development, structuring and implementation provided by its programming divisions. This is being done by moving the Secretariat's appraisal function to the Office of Risk Management and Compliance (ORMC). In this framework, the Secretariat's programming divisions report to the Deputy Executive Director, while ORMC reports to the Executive Director. These changes will help to strengthen the Secretariat's partnership with AEs and enhance the integrity of the GCF review processes.

30. **Making sure all GCF partners have a stronger base of understanding of GCF requirements and expectations.** As noted above, the GCF business model depends on AEs having the climate expertise and knowledge of GCF requirements and priorities to provide essential support in the development and implementation of impactful climate action across a wide range of results areas and countries. All GCF AEs, by definition, meet a number of specified financial management and safeguard standards. That said, both experience to date and the findings of some initial reviews have pointed to a range of shortcomings in the breadth of knowledge and expertise within the AE network relative to various aspects of climate action, pre-proposal assessments, and the GCF mandate and strategy. Specifically, many of the initial proposals submitted by AEs have demonstrated a lack of high-level expertise in the full range of the GCF results areas. In addition, many of the initial proposal documents have lacked a useful assessment of the proposals' climate nexus and impact, and some have demonstrated a lack of understanding of essential elements of the GCF results management framework and its strategic programming goals. While these and other shortcomings have tended to be more pronounced in the case of DAE concept notes and proposals, they have also been present in many IAE proposals. These findings make it clear that to accelerate the submission of higher quality, innovative proposals, the Secretariat needs to do a better job helping AEs understand its policies and processes and, where necessary, it needs to train AEs on essential requirements and methodologies. To that end, during 2020 the Secretariat will enhance the ability of the country programming division to train AEs and in particular DAEs on diverse matters relating to proposal requirements and programming priorities. This will be supported through the development of knowledge products on such things as the GCF theory of change, the 2020–2023 Strategic Plan and the emerging sector guidance.

31. Beyond preparing documents, the Secretariat will integrate and advance the depth of readiness support being given to prospective DAEs in the accreditation process to better prepare them to hit the ground running after they are accredited. It will also expand its use of webinars and initiate web-based tutorials on key GCF requirements and methodologies. While these measures should support the submission of more complete project proposal submissions, the Secretariat will also support the enhanced quality of proposals through the full origination phase by deploying proposal-specific, cross-divisional project origination teams. These teams will be individually designed to bring to bear the related strength of the diverse Secretariat expertise on ensuring that each specific proposal effectively implements GCF guidance and national priorities. They will also help ensure that each proposal's predicted results are credible and can be effectively monitored and professionally evaluated.

32. **Getting the AE skillset needed for GCF-1.** In November 2014, the GCF issued a broad, open call for entities wishing to be accredited to the GCF, and by 31 August 2019 the Secretariat received a total of 174 applications. Initially, applications for accreditation were reviewed on a first-come, first-served basis. By B.14, however, a backlog of applications led the Board to begin taking short-term decisions on specific criteria for their prioritized review. The Board has used the initial accreditation framework and this prioritization process to approve 88 entities for accreditation. This total includes 40 IAEs and 48 DAEs (including 16 private sector entities). Of the 88 entities approved as of July 2019, only 47 entities have effective AMAs enabling them to work with the GCF, with most of the remainder awaiting fulfilment of conditions. Currently, the GCF has an additional backlog of 110 applications in various stages of review.

33. While the open call for AE applications has enabled the creation of a sizable network of IAEs and DAEs and the approval of over 100 projects, as noted above the AE network may not have the full range of expertise or abilities that may be needed by developing countries and the GCF during GCF-1. As a consequence, **during 2020 the Secretariat will support the preparation of an accreditation strategy** that will examine the capabilities of the AE network against both the mandate and strategy of the GCF and the evolving climate investment and support needs of developing countries. That examination will also consider needs related to geographical, sectoral and thematic coverage and financial instrument usage. On that basis, it will recommend to the Board the numbers and kinds of additional AEs that will be needed to implement the priorities for developing countries and the GCF for GCF-1. It will also recommend accreditation application review priorities designed to achieve any agreed AE network development targets and establish performance indicators designed to measure related progress.

34. **Streamlining, accelerating and increasing the transparency of the accreditation process.** Over the past several years, the Secretariat has taken many steps to optimize the accreditation process and address the guidance of the COP to increase and accelerate access, including through the accreditation of more DAEs. The Secretariat is moving to implement additional efficiencies where it can, however, Board decisions will be necessary to advance more significant changes to the GCF accreditation framework. Specifically, at B.20 the Board considered an independent review of the accreditation framework and an advanced set of proposals to improve the accreditation process, and at B.23 it considered another updated set of proposals from the Accreditation Committee. The Secretariat expects that in 2020 it will be in a position to begin implementing a new, streamlined framework that would increase the effectiveness and efficiency of the accreditation process by reducing both the duplication of reviews and the overall time it takes to do the reviews. To support greater transparency and predictability for accreditation applicants in the implementation of this new process, the Secretariat will set time estimates and performance standards for each stage of the process and provide real-time web access to status reports to enable applicants to track the forward movement of their applications.

35. **Enhancing access to the GCF by implementing a new access modality – the pilot project specific assessment approach (PSAA).** At B.23, the Board approved in principle a new PSAA modality and agreed to consider it further at B.24. The proposed PSAA aims to provide a more fit-for-purpose approach to accreditation in relation to a single project or programme by undertaking the simultaneous assessment of the proposed project and the proposing organization's ability to implement the project. Opening the GCF in this manner would extend GCF access to organizations that find applying for accreditation to be too costly and/or that are currently intending to bring forward only a single project to the GCF. The current proposal before the Board includes an extensive implementation framework, and once agreed, the Secretariat will prioritize the operationalization of the approved approach. The Secretariat believes that the approval of this approach will enable speedier access to the GCF by a wider array of entities and support the approval of an increasing number of innovative proposals. Use

of this approach will also enable both the GCF and the PSAA entities to assess the potential value in undertaking an effort to seek full accreditation based on the mutual PSAA experience of the GCF.

36. **Establishing the requirements for re-accreditation.** Consistent with decision B.07/02 and decision B.23/11, five years after the date of effectiveness of their AMAs, AEs must be re-accredited in order to continue working with the GCF. Given the effective dates of the initial set of AMAs, the Secretariat expects up to eight entities to apply for re-accreditation in 2021. As a consequence, in 2020, the Secretariat will accelerate its work with the Accreditation Committee, the Accreditation Panel and the Board to lay the groundwork for the re-accreditation of AEs, considering, among other things, how the accreditation process can support AE efforts in continuing to improve their climate profiles and expertise. As regards AE climate profiles, in 2020 the Secretariat expects to pilot a process for evaluating the degree to which AE portfolios (including non-GCF portfolios) have shifted towards support of low-emission, climate-resilient pathways. In addition, and considering experience with the first round of GCF RFPs, the Secretariat will suggest re-accreditation options that could incentivize an increased AE role in advancing promising RFP applications submitted by non-AEs.

37. While the Secretariat understands that the accreditation of a DAE in a country is often equated with the notion of enhanced country ownership, the Secretariat strongly believes that all projects implemented by IAEs must support and demonstrate a level of country ownership that is equivalent to that implemented by a DAE. However, it is equally as clear that in the long run, IAEs cannot have the presence in countries that will be necessary to meet the full range of climate-related needs those countries will have in their long-term efforts to address climate change. Accordingly, there is an undeniable need to build in-country capacity. To that end, as re-accreditation requirements are considered, the Secretariat will suggest options that could incentivize an enhanced IAE role in helping build the capacity of DAEs and other local entities, including executing partners.

## 2.3 Filling key gaps in gcf policy and governance frameworks

38. The Governing Instrument and initial Strategic Plan for the GCF included a number of goals, the operationalization of which are essential to enabling the GCF to fully support the preparation of an impactful, country-driven pipeline of GCF-aligned proposals that would contribute to a paradigm shift. The 2020 work programme highlights many of the initiatives that the Secretariat intends to undertake to provide the guidance that is essential to advancing those goals. That said, the presence of key policy gaps creates uncertainties that make it difficult for countries and AEs to submit stronger project and programme proposals and for the GCF to proceed at a speed that is more commensurate with the climate challenge.

39. In 2020, the Secretariat will take a number of steps designed to support the Board in closing gaps in the GCF policy frameworks and enhancing certainty for GCF stakeholders. First, **the Secretariat will work to support finalization of a four-year “policy agenda”** that will provide a strategic framework and proposed sequencing for cycles of new policy development and/or reconsideration of key policies and frameworks consistent with the to-be agreed 2020–2023 Strategic Plan. That draft policy agenda could then be aligned with a four-year Board workplan. This effort would support the consideration and adoption of policies by: reducing the number of high priority items on the Board’s agenda; establishing clear time frames for policy development, consideration and reviews; maximizing the consultation period for items allocated to a specific year; and regularizing policy review cycles with a view to minimizing the impact of policy changes on portfolio implementation. It could also take into consideration the recommendations of the FPR on the consideration of appropriate levels of delegation. In that context, the Secretariat could undertake a review of the list of outstanding

policy and process issues that have long been pending with a view towards recommending some that could be considered for delegation to the Secretariat and some that might be considered for retirement as having been overtaken by events.

40. Second, consistent with decision B.20/04, the Secretariat will support the Board in its consideration of the consultant's report on Board committees and panels and the preparation of options to increase the effectiveness of the Board committee process. The Secretariat will also continue to work with the Co-Chairs in an effort to focus the agendas of both Board meetings and informal Board consultations on broad-based strategic issues.

41. Further, and as noted elsewhere in the work programme, **during 2020 the Secretariat will issue a policy manual** describing the policy development process, including the timelines for consultation on Board policies. This manual will include templates that will be used for the development of policy impact assessments that will enable both the Secretariat and the Board to consider the implications of policies relative to foreseen impacts on the implementation of projects and programmes, Secretariat and AE workloads, budgets, and coherence with other policy frameworks. It will also support the use of best practices to promote the streamlining of policy documents and the preparation of robust executive summaries that highlight the key issues that the proposed policies address.

42. In a related matter, both the IRM experience and the FPR have made apparent that there could be a benefit in creating greater clarity in the roles, responsibilities and boundaries of authority of the various GCF actors and instrumentalities. Accordingly, during 2020 the Secretariat will work with relevant GCF actors towards the **development of a GCF control framework that more specifically delineates responsibilities within and between GCF instrumentalities**, including the Secretariat, the independent units, and the Board (including its committees, Co-Chairs, advisers and panels). This effort would also support clarification on the separation of supervision and management in the GCF, as suggested in the FPR.

43. In addition, consistent with annex III of decision B.23/02, in 2020 the Secretariat will support Board efforts to ensure that the development of draft decisions and related documents are undertaken in an open, inclusive, consultative and transparent manner. In that regard, and as required in paragraph 23 of the Rules of Procedure of the Board, the Secretariat expects to accelerate the distribution of Board member comments received on Board meeting documents to help facilitate the early identification, engagement on, and resolution of issues where members may have differing views. The Secretariat will also put forward possible options for increasing opportunities for webinars on key policy proposals scheduled to be considered during upcoming Board meetings and for addressing the communications problems that have inhibited the fuller participation of some Board and alternate members.

44. The Secretariat will also need to move forward in 2020 with Board mandates calling for the development of new policies and the operationalization of other policies. An example of a significant new policy mandate would include the development of GCF-specific environmental and social safeguards (ESS), which, in accordance with decision B.23/02, are due to be presented to the Board during the second meeting of 2021. Examples of existing mandates that the Secretariat will work to operationalize in 2020 include the development of standard operating procedures under the Anti-Money Laundering and Countering the Financing of Terrorism Policy and the operationalization of guidelines to implement the Indigenous Peoples Policy. The latter work will include the establishment of a new advisory group. The potential for additional new policies must also be foreseen. For example, when adopted by the Board, the Secretariat will have to be ready to implement any updated gender policy and workplan.

## 2.4 Reducing engagement costs and time to funding by improving efficiency, effectiveness and transparency of GCF processes and speed of delivery

45. During the second half of 2019, the Secretariat initiated a concerted interdivisional effort to comprehensively map all of its programming, project development, project review, implementation, and policy processes. This is being done with a view to identify opportunities under current policy settings to clarify staff roles and responsibilities in all process phases and to **streamline, reduce duplication, improve consistency, and optimize the speed and performance of key processes including decision-making**. Those efforts will result in a revised operations manual, a new policy manual, a new project preparation manual and a new programming manual. During 2020, these manuals will be made available to all stakeholders to support a clearer understanding of GCF investment and other funding review processes and criteria, and with a view to improving the quality of proposals being submitted. These manuals will also increase the transparency and effectiveness of GCF operations and support the development of service standards for key processes, thereby setting expectations and creating greater certainty. Finally, relevant manuals will also support efforts to speed up post-approval processes through, among other things, regularizing the conclusion of legal implementation arrangements, including through increasing the use of templates. In tandem with the independent TAP measures discussed above, these manuals should also support the submission to the Board of higher quality proposals with fewer conditions which can move to implementation more quickly.

46. In 2020, the Secretariat will also take additional measures to increase speed and transparency. Consistent with its efforts to become a truly digital organization, the Secretariat will promote smart automation of GCF processes. As an example, following its expected launch at B.24, the Secretariat will roll out an expanded project management information system that will enable stakeholders to track, in real-time, the progress of GCF operations, including the status of accreditation, the pipeline of funding proposals and the portfolio of approved projects.

47. **The Secretariat's effort to accelerate the speed of project work will also extend to SAP.** While experience shows SAP is reducing project lead times, the review and approval processes required of the Secretariat, independent TAP and Board remain similar to the times associated with regular funding proposals. If this continues, it will constrain ambition to substantially scale up SAP and accelerate GCF action on smaller projects. Consistent with Board decisions, the Secretariat has commissioned a review of the SAP, and in 2020 the Secretariat hopes to reform the process so that it better lives up to its name in terms of simplifying both underlying requirements and the approval process.

48. The Secretariat will also implement changes to its project origination and policy development process designed to facilitate more cross-secretariat participation in the review and development of all projects and policies. Specifically, on the project side, the Secretariat's new Climate Investment Committee is already supporting an early review and integrated consideration of feedback on CNs, PPF applications and proposals, and country and entity work programmes relative to consistency with GCF policies and strategic goals. As noted earlier, the Secretariat will also establish project-specific, cross-divisional teams to shepherd each proposal through the process leading up to Board consideration. Finally, as noted earlier, appraisal activities, including safeguard reviews, are being consolidated in the ORMC. On the policy development side, the Secretariat will establish a Climate Policy Committee to set and review the direction of policy development. In addition, policies themselves will be developed by cross-Secretariat teams, and there will be an increased focus on understanding the potential impacts of new policies on the Secretariat, GCF resources, and AEs and their ability to develop and implement innovative projects in a timely manner.

49. **Participation of observers and civil society organizations (CSOs).** The Secretariat believes that its observer and CSO networks are a strength of the GCF, and in 2020 the Secretariat will facilitate consideration of a number of efforts to enable effective transparency and observer participation. First, from B.24 on, the Secretariat will publicly disclose all annexes for all funding proposals, a step that will help to enhance stakeholder participation in GCF decision-making processes and ensure that GCF deliverables address climate challenges more effectively. Second, in 2020 the **GCF will organize a stakeholder engagement forum** to promote dialogue with civil society representatives at the international, regional and national levels as well as to amplify messages in partnership with like-minded organizations. This event will convene as a half-day forum (potentially back-to-back with the Private Investment Conference) and will engage stakeholders, including governments, civil society organizations, academia and media, to create a platform for engagement with GCF.

50. In addition, in 2020 the Secretariat will work with all stakeholders in its review of the Information Disclosure Policy (including the disclosure of ESS reports), identify implementation issues and recommend improvements by considering lessons learned and best practices. Further, and consistent with decision B.22/02, the Secretariat will review the protocol for live webcasting of formal meetings of the Board. Finally, the Secretariat will support the Board's consideration of long delayed, updated guidelines relating to observer participation, accreditation of observer organizations and participation of active observers.

51. **Regional hubs/networks.** By its decision B.12/32, the Board requested the Secretariat to provide updates on the development of regional hubs to provide support to NDAs, AEs and partner countries. In that regard, initial findings from the pilot deployment of an individual staff person to Grenada has resulted in a significant increase in regional engagement with the GCF. The pilot deployment in Latin America and the Caribbean will continue through 2020, and, in appropriate situations, the Secretariat may consider similar deployments.

52. However, discussions to date have made clear that there is not yet consensus relating to the establishment of formal GCF-staffed regional offices or hubs. In the meantime, the 2018 and 2019 work programmes approved by the Board included a proposal for the Secretariat to issue an RFP designed to hire an entity or entities to formally organize and operate regional networks of NDAs through external, regionally based institutions. These networks would advance many of the primary objectives of the Readiness Programme, including: enhancement of peer-to-peer learning; enhanced engagement with AEs, including DAEs; enhanced engagement with CSOs and relevant private sector interests; and support for an increased number of regional dialogues in which varied topics of regional interest would be discussed. The suggested model, which would be funded through the Readiness Programme, would be adapted from the model used in the context of the Multilateral Fund for the Implementation of the Montreal Protocol. That model is recognized globally as being successful in supporting capacity-building, facilitating a high rate of mandated reporting, and supporting the development and implementation of related national policies designed to effectively implement the Montreal Protocol. During 2020, the Secretariat intends to consider the possible parameters of an RFP package to advance this idea.

## 2.5 Adopting adaptive management of portfolio implementation and strengthening GCF results management

53. Over the last two years, the number of projects that have moved into implementation has increased from 1 to 58, and it is expected to rise to 82 by the end of the year. By the end of 2023, close to 300 projects could be under implementation. Along with that increase has come a significant expansion of the Secretariat's responsibility for reviewing progress reports and tracking implementation against agreed project milestones. Beyond tracking, the on-the-ground realities of implementation have increased the need for the Secretariat to undertake site visits

and consider and react to FAA changes that are being proposed to enable thoughtful implementation. To address implementation challenges, **the Secretariat will adopt a dynamic, adaptive approach to portfolio management that accommodates changing conditions and reflects GCF risk appetite.** Looking forward, it is clear that this workstream will inevitably increase with the number of projects reaching the implementation phase and that addressing it will require a multifaceted effort to strengthen the portfolio management function.

54. First, during 2020 the Secretariat must increase resources devoted to adaptive portfolio management. This includes increasing the number of staff devoted to the oversight and management of both the overall portfolio and specific projects requesting changes. It will also necessitate an increase in the travel budget to enable essential site visits. In addition, and as noted above, it will require an increase in support to DAEs to enable them to better meet project reporting requirements and facilitate effective implementation consistent with agreed or amended project parameters.

55. Management of the portfolio must be undertaken with a focus on results, and, to that end, in 2020 **the Secretariat will begin implementing an updated results management framework** to better measure the degree to which GCF operations and investments contribute to overall GCF goals and outcomes as well as the shorter-term goals and outcomes contained in this work programme and the to-be agreed 2020–2023 Strategic Plan. This work will include the design of a framework for measuring paradigm shift. In addition, during 2020 the Secretariat will initiate implementation of an updated suite of indicators, methodologies and measurement, reporting and verification (MRV) and monitoring and evaluation (M&E) practices to support the development of an integrated resources and results framework and help ensure that all investments can be monitored for results in a wider global context.

56. While the Secretariat will expand its efforts to measure results, concluding the process review of results is clearly not sufficient. Accordingly, concept notes and proposals will be reviewed on entry to ensure that they are designed for specific results from day one. This review will also help ensure that they include a framework to enable the collection of robust, reliable data for verification of those results. To those ends, the GCF will strengthen guidance on project-level MRV and take a greater role in ensuring that logical frameworks are articulated clearly. These steps will help ensure that projects and programs can and will be monitored, implemented and supervised appropriately. Finally, the GCF will implement internal accounting standards and web-based systems to track results and continue to maintain the highest degree of transparency in the regular reporting of performance and results.

57. To support the integrity of project consideration and reporting, the Secretariat will also work in 2020 to enable greater consistency in the prediction and verification of estimates of greenhouse gas reductions and beneficiaries. To that end, the GCF will work to ensure that the most appropriate methodology is selected and applied for these calculations considering the particularities of the proposals and that the GCF itself is confident with the level of reductions and/or beneficiaries predicted for all GCF projects.

58. Finally, while much of the Secretariat's adaptive management work will focus on advancing the movement of individual projects or programmes towards implementation, the reporting framework will be integrated with the wider GCF knowledge management system, and efforts will be made to extract emerging lessons and trends and use that information to develop improved, evidence-based guidance on what is working and what is not for wider discussion with stakeholders.

## 2.6 Consolidate institutional capacities and take initial steps to position the GCF to be a global thought leader and policy influencer in climate finance

59. **Privileges and immunities.** Paragraph 8 of the Governing instrument states, “The GCF will enjoy such privileges and immunities as are necessary for the fulfilment of its purposes. The officials of the GCF will similarly enjoy such privileges and immunities as are necessary for the independent exercise of their official functions in connection with the GCF.” Privileges and immunities are of the utmost importance to ensure that the GCF can perform its functions effectively and operationalize its activities in a speedy manner. Moreover, they are necessary to protect the financial resources that have been made available to the GCF and ensure its independence. Privileges and immunities establish a formal political relationship between a country and an international organization. This is critical because, for international organizations to perform their functions effectively, their assets, archives and communications must be protected, and personnel such as Board and alternate members, staff and other persons associated with the GCF must enjoy functional immunity of legal processes in relation to acts performed by them in an official capacity.

60. The Secretariat has actively pursued privileges and immunities negotiations with both developed and developing countries and, as of 30 April 2019, it had sent draft agreements to a cumulative total of 135 countries. At 24 May 2019, 21 bilateral privileges and immunities agreements had been signed; none of those are from developed countries. While those agreements are important, it is also important to note that the 21 countries that have signed agreements represents less than 1 per cent of the developing country population.

61. **The absence of privileges and immunities creates increased litigation risks, not only for the GCF as an institution, but for its Board members and other officials.** This risk relates to the operational activities of the GCF including, but not limited to, decisions on accreditation and funding proposals. The fact that many of GCF activities are carried out by AEs does not protect the GCF and its Board and officials from litigation. In fact, because many GCF AEs are independently covered by privileges and immunities, there is an increased likelihood that aggrieved third parties would consider recourse against the GCF as the most exposed party involved in a transaction.

62. **The lack of privileges and immunities for GCF staff in their work outside of the Republic of Korea is an issue of concern.** The absence of privileges and immunities results in GCF staff having to use their own personal passports for official travel. Because of that, most staff travel outside of the Republic of Korea necessitates a trip to Seoul to obtain a visa. In some cases, staff members find it difficult to easily obtain visas and participate in missions due solely to their nationality. Beyond the difficulty in obtaining visas, the absence of privileges and immunities leave staff who are traveling on GCF missions without the normal protections that are afforded to international civil servants in the conduct of their work. While related risks are present in all travel, they are perhaps most pronounced in missions dealing with investigations where privileges and immunities are essential to ensure the safety and independence of the investigators and the integrity of their work. Finally, and as it relates to effective staff deployment, the absence of privileges and immunities will continue to make it difficult for the Secretariat to outpost GCF staff to key cities and regions where the GCF could want a representational-level presence if the GCF is to consistently engage with its partners and assume the role of a global thought leader.

63. **The absence of privileges and immunities has also had an impact on the efficiency of the GCF project cycle.** Specifically, in order to reduce project risks related to the absence of privileges and immunities, the Secretariat routinely incorporates appropriate protections into

the legal agreements it enters into for the implementation of approved funding proposals. These protections, together with other requirements prescribed by Board policies, have increased the complexity of such legal agreements, making the related negotiations lengthier.

64. While the Secretariat can theoretically devote significantly more staff for the negotiation of privileges and immunities agreements, many countries have either not engaged with the GCF on this issue or have indicated that they cannot sign agreements with the GCF. Thus, it is unclear if the country-by-country process can ever yield sufficient international coverage to address ongoing concerns.

65. In 2014, the Board suggested in the fourth report of the GCF to the COP that the COP might “wish to consider recommending to the General Assembly of the United Nations that the General Assembly consider an institutional linkage between the United Nations and the Green Climate Fund that is consistent with the status of the [GCF] and the powers vested in the Board and a Secretariat that is fully independent and accountable to the Board”. However, this proposal of the Board has not yet been acted upon by the COP. The Secretariat believes that it is in the best interests of the GCF, the Board (including its individual members and alternate members) and the Secretariat staff that this option be pursued during 2020.

66. **Human resource initiatives.** It is often said that an organization’s greatest asset is its employees, and the Secretariat’s management team agrees. In recognition of this fact, a change has been made in the Secretariat’s reporting structure. Henceforth, the Head of the Office of Human Resources (OHR) will report directly to the Executive Director. Staff matters will therefore be taken up at the highest level in the organization. Administratively, however, and for the time being, the budget of the OHR will be maintained within the overall administrative framework.

67. During 2020, the Secretariat will develop a human resources strategy designed to attract, nurture, retain and deploy the world-class talent needed to effectively grow and manage its global portfolio and over time represent the GCF as a global thought leader in the areas of climate finance.

68. To accomplish this, the GCF will review its compensation and benefits package and consider possible adjustments to ensure that the GCF is well positioned to effectively compete for top talent. That consideration could include a review of such things as the degree to which GCF salaries maintain competitiveness with comparator organizations; the degree to which the package enables consistent and automatic inflation adjustments to compensation; the level of opportunities for staff advancement and promotion; and the ability to provide equal net pay for equivalent work from staff of all countries. The former factors would also have to be considered in light of local circumstances that could affect the decisions of staff to come to or stay with the Secretariat.

69. Beyond attracting and deploying staff, in 2020 the Secretariat will also take steps to retain and advance the talented staff that it has by, among other things: creating a focused career centre and advancing broad career management programmes; increasing opportunities for staff mobility; and fostering staff development in a manner designed to enable staff to work across disciplines and promote both staff member and cross-Secretariat learning. In 2020, the Secretariat will also strengthen its ombudsman function, benefit from a newly deployed ethics officer, and overall enhance its workplace conflict prevention and resolution infrastructure to help ensure that the Secretariat retains a strong internal ability to manage essential staff issues. Finally, to meet the upcoming challenges of GCF-1, the Secretariat will need to develop a plan and budget in 2020 to support greater staff training.

70. **Initiating steps to position the GCF as a global thought leader and policy influencer in climate finance.** GCF is not just an operating entity of the financial mechanism under Article 11 of the Convention; it is the largest dedicated climate fund in the world. It is also the world’s

largest provider of climate-related capacity-building support. That being said, the mission of the GCF – to promote a paradigm shift towards low-emission climate-resilient development pathways – can never be accomplished by any one institution. As a consequence, the GCF has a responsibility to expand and replicate its knowledge and that of its partners and use it to help develop, disseminate and mainstream best practices and bring about systemic climate-centred change.

71. During 2020, the Secretariat will operationalize the mandate of the GCF to establish and run effective knowledge management practices and take initial steps to establish the GCF as a thought leader and policy influencer in climate finance. Specifically, in 2020 the Secretariat will finalize and initiate implementation of its knowledge management strategy. This will be done through the operationalization of an integrated knowledge management system. Initial 2020 steps towards the achievement of GCF external and internal knowledge management objectives will include:

- (a) Integration of knowledge management efforts taking place in the different divisions and offices in the Secretariat;
- (b) Introduction of dedicated knowledge management resources to enable the generation, capture, sharing and re-use of lessons learned from the project cycle;
- (c) Initiation of the establishment of a knowledge hub to drive the co-generation of knowledge products in collaboration with partners; and
- (d) Advancement of its efforts to deliver an integrated information and communications technology (ICT) system to support its knowledge management objectives.

72. Through these and other initiatives, the Secretariat will enhance the internal processes of the GCF to capture, store and re-use explicit knowledge to improve the efficiency, effectiveness, and sustainability of operations and enhance stakeholder capacity to leverage lessons from the project life cycle and broader climate finance experience.

73. In 2020 the Secretariat will work to expand its interaction with global thought leaders through the identification of issue-specific experts and the establishment of partnerships with key universities and other centres of excellence. It will also work on framing a pilot fellowship programme to bring in expert assistance to support the positioning of the GCF as a thought leader in climate finance. In addition, it will continue to participate strategically in international conferences where the GCF can both showcase its knowledge products and learn from others. This and other work will be directed towards synthesizing and sharing experience and defining global best practice in areas related to climate finance.

74. Beyond attending global forums organized by its partners, the GCF will continue convening global forums in 2020 designed to enable the global community to share knowledge on climate finance and climate policy. GCF-led forums in 2020 will include the Global Private Investment Conference.

75. **Learning from and sharing GCF experience.** The results of reviews, evaluations and audits will provide significant input into GCF knowledge management efforts, as well as its efforts to enhance its overall performance. In recognition of the importance of these inputs, the Secretariat will take a number of steps during 2020 to study, synthesize, and put into action the lessons learned from these efforts. First, the Secretariat will assemble specific cross divisional review teams to carefully consider the results of evaluations and audits with a view towards carefully considering the costs and benefits of operationalizing related recommendations and preparing robust management responses and action plans. Second, where it is deemed warranted, the Secretariat will create knowledge-sharing products to enable related learning to be shared more widely both within the organization and with other entities. In regards to audits, the GCF Office of the Internal Auditor (OIA) is considering undertaking audits in 2020 on

resource mobilization and replenishment; ICT product management; data protection and information security; accreditation (including AMA approval); communication with the Board, advisers, CSOs and UNFCCC; PPF, readiness and NAPs; financial statement preparation; accounting and budgeting; and efficiency and effectiveness of Secretariat KPIs. The exact composition will depend on the OIA risk-based assessment of the GCF at the end of 2019, taking account of any changes agreed and implemented in the year.

76. **Closely related to GCF knowledge management/knowledge-sharing work is its ICT framework.** Indeed, in today’s world, ICT plays a pivotal role in the management and sharing of knowledge and information both within the Secretariat and between the Secretariat and its stakeholders. The Secretariat’s work in this area is discussed in more detail in section 4.4.6 below.

77. **Managing GCF resources – resource mobilization.** In 2020, the Secretariat will support efforts of the Trustee to ensure that all contributors quickly have in place signed contribution agreements for their pledges. It will also have to consistently and carefully track and forecast the level of available GCF resources in order to calibrate this with funding proposals that may be brought forward for Board consideration. In addition, and as discussed earlier, the level of commitment authority is also directly relevant to the level of funding proposals that can be considered for Board approval, and during 2020 this factor will be monitored closely and reported on regularly.

78. Beyond matters related to the first replenishment, the Secretariat will work during 2020 to finalize policies and procedures for accepting contributions from philanthropic foundations and other non-public alternative sources. Upon Board approval of the appropriate policies, the Secretariat will endeavour to mobilize resources from alternative sources to further amplify the impact of GCF-1.

### **III. GCF programming for 2020**

79. **Expected 2020 programming outputs.** Table 1 below summarizes outputs expected for the year 2020, including projections for cumulative disbursements as of the end of 2020.

**Table 1: Summary of core indicators for reporting period 1 January – 31 December 2020**

<b>Core indicators</b>	<b>15 September 2019 baseline</b>	<b>Target December 2020</b>
Accreditation master agreements (AMAs) signed	62 AMAs signed	87 AMAs signed
Funded activity agreements (FAAs) signed	80 FAAs signed	107 FAAs signed
No. funding proposals under implementation and value (USD)	62 funding proposals (USD 2,688 million)	101–102 funding proposals (USD 4,575–4,655 million)
No. funding proposals under disbursement and total disbursed (USD)	52 funding proposals (USD 661 million)	84 - 99 funding proposals (USD 1,499–1,805 million)

80. **Annual programming goals for public and private sector work as well as for work under RFPs** have historically been based on a number of factors including an assessment of the

GCF commitment authority for the coming year and an evaluation of the Secretariat's and AE's ongoing work and project pipeline. This year's assessment is made more complex by the lack of firm knowledge of the level of commitment authority that might be available after B.24, the speed at which pledges will be translated into commitment authority for the GCF, and when pledges may exceed the agreed level of commitment authority effectiveness (25 per cent of the pledged amount). Programming will also be affected by Board decisions to be taken relative to the 2020–2023 Strategic Plan. This could affect such things as the extension or cessation of the current RFPs and agreement to move forward with new RFPs. Finally, the level of funding and staff finally provided to the Secretariat will have an impact on what can be achieved in 2020.

81. Given the above, the indicative annual programming goals included below are based on an estimated residual commitment authority for B.25 of USD 300 million, an estimated commitment authority for the rest of the year of approximately USD 1.5 billion, an assumption that existing RFPs will be active during 2020 and that any new RFPs will not start funding until 2021 or later, and an assumption that the Secretariat's budget will be approved at the level requested. Table 2 below summarizes projected outputs expected for the year 2020 based on those assumptions. Also included are projections for cumulative disbursements as of the end of 2020.

**Table 2: Indicative 2020 programming goals**

Sectors/ Country Programming		FPs ALL	Regular FPs	Readiness Support (non- NAP/PPF)	NAPs	PPF	SAP	MFS	REDD- plus	EDA
FP/project/programmes										
		USD amount (number of proposals/requests)								
Country programming	Approval	-		45 million (50 requests)	40 million (18 requests)	7 million (10 requests)	20 million (2 FP externally reviewed)	-	-	
	Disburse.	-		11 million (first disbursement)	7.6 million (first disbursement)	4 Million		-	-	
Private sector	Approval	600-800 million (12-16 proposals)	570 - 770 million (9-13 proposals)				30 million (3 proposals)	130 million (3 proposals)		
	Disburse.	550 - 750 million	550 - 750 million	-	-	-	-	-	-	
Public sector	Approval	580-680 million (28-33 proposals)	520-620 million (22-27 proposals)	-	-	-	60 million (6 proposals)	-	150 million (2 proposals)	60 million (3-4 proposals)
	Disburse.	682 - 869 million	672.99 - 859.99 million	-	-	-	9.01 million	-	-	12.5 - 12.7 million
<b>Totals</b>	Approval	1.18 billion - 1.48 billion	1.09 billion - 1.39 billion	45 million (50 requests)	40 million (18 requests)	7 million (10 requests)	110 million approved (11 proposals)	130 million (3 proposals)	150 million (2 proposals)	60 million (3-4 proposals)

	Disburse.	1.232 billion – 1.619 billion	1.223 billion – 1.61 billion	11 million (first disbursement)	7.6 million (first disbursement)	4 million				12.5 - 12.7 million
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*Abbreviations:* EDA = enhancing direct access, FP = funding proposal, MFS = mobilizing funds at scale, NAPs = national adaptation plans, PPF = Project Preparation Facility, SAP = simplified approval process.

82. In terms of the substance of programming, public and private sector work will be pursued in line with the theory of change, striving to deliver outcomes in the eight GCF results areas and across four climate transition areas:

- (a) **The built environment**, focused around supporting resilient infrastructure and low-emission buildings, cities and transport;
- (b) **Human security, livelihoods and wellbeing**, focused around livelihoods of people, communities and regions, health, well-being, food and water security and sustainable agriculture;
- (c) **Energy and industry systems**, focused on supporting resilient energy systems and low-emission power generation, energy access and low-emission industries; and
- (d) **Land use, forests and ecosystems/ecosystems services.**

83. Adaptation and mitigation impacts will be sought in the eight results areas and across the four climate transition areas, promoting cross-cutting measures that can deliver on systemic impact. Programming directions will be further informed by the new sector guidance that will further elaborate on focus areas that can best respond to developing country needs, require urgent action, and have the greatest potential to deliver on transformational climate impact. As noted earlier, 2020 programming is likely to include an enhanced focus on adaptation projects (including the involvement of the private sector), an increase in DAE projects; an increase in programmatic approaches designed to address areas of broad demand; the broader use of GCF instruments; and a review of existing RFPs to determine the extent to which they might proceed beyond proposals that remain active in their respective pipelines.

84. The sections that follow review likely GCF programming for 2020 with respect to CNs and existing RFPs.

## 3.2 Concept note programming for 2020

85. In accordance with current procedures, AEs and intermediaries have the option of submitting a CN to the Secretariat with a view to verifying whether the concepts they are considering are broadly aligned with key GCF guidance, including the GCF investment and results management framework, ESS for SAP, and sector guidance. CNs play an increasingly valuable role in the effort to achieve programming goals, such as an increase in the number of DAE projects and an increase in funding devoted to adaptation work.

86. The Secretariat's simplified CN template has focused information requirements, eased preparation and created greater value in supporting alignment with the GCF transformational goals. These and other changes have resulted in a significant increase in the number of CNs being submitted; as at 31 August 2019, the number of CNs stands at 47, including 45 public sector and 2 private sector CNs. These notes provisionally imply the need for over USD 1.3 billion in GCF funding. Furthermore, the Secretariat sees the increasing use of CNs, in particular for public sector projects, as an important stage of the proposal approval process. During the second half of 2019, over 90 per cent of public sector funding proposals submitted to GCF were developed from previous CNs.

87. The Secretariat expects to see a further increase in the level of CN submissions in 2020 due to, among other things, lists of country-driven priority project concepts being developed in the context of country and entity programme work. The Secretariat will strive to maintain consistency with its goal of ensuring that submitters are sent initial substantive feedback within 30 days of their CN submissions.

### 3.3 Enhancing direct access pilot programme

88. At its tenth meeting, the Board agreed to an initial allocation of up to USD 200 million for at least 10 EDA pilot projects, including at least 4 to be implemented in Small Island developing States, the least developed countries and African States. Based on the Board's direction, in June 2016, the Secretariat launched a request for EDA concept notes. As at 31 August 2019, 2 EDA projects with a total volume of USD 30 million have been approved by the Board. The current EDA pipeline includes 4 funding proposals and 7 concept notes. There has been an increase in EDA submissions, with 2 Funding proposals and 1 Concept note submitted in 2019.

89. During 2020, the Secretariat aims to engage in a series of outreach activities to ignite interest in the EDA and utilize the remaining allocation of USD 170 million, while planning for the EDA pilot evaluation to take place by the end of 2021 (5 years from the 2016 launch of the EDA RFP, as mandated by decision B10/04).

90. Specific guidance and knowledge products on how to develop EDA funding proposals will be developed throughout the year (2020), to better guide the direct access entities on EDA requirements, types of eligible activities and how EDA interventions can play a central role to promote locally-led climate actions by communities, local governments and micro, small and medium enterprises. In that regard, through coordination with the Readiness and Preparatory Support Programme and national, regional and international partners, specific trainings on how to develop EDA proposals will be offered to direct access entities and NDAs.

### 3.4 REDD-plus programme

91. In response to UNFCCC REDD-plus guidance, the Board, through its decision B.18/07, allocated USD 500 million for an approved RFP for the REDD-plus results-based payments (RBP) pilot programme. In the first half of 2019, two REDD-plus RBP proposals were approved and two more proposals will be presented for Board consideration at B.24 and at least two more are expected in 2020. For 2020, the Secretariat will increase outreach to countries and AEs to accelerate action towards implementing REDD-plus. This work will include developing webinars, communications material, hands-on workshops across regions (at least three regional workshops in Latin America, Asia and Africa). Given the high demand from countries for the pilot programme, the Secretariat will start preparing the subsequent phase of the pilot, taking into account the midterm review and the lessons learned contained in it. This will include stakeholder consultations, meetings and workshops with REDD-plus experts, country representatives and civil society.

92. Additionally, the Secretariat will engage further with private sector stakeholders to leverage finance for REDD-plus. This will include identifying "investment-ready jurisdictions", which would facilitate the interaction with different groups of private sector actors at significant scales towards national and regional scales. This will be further strengthened through the community of practice of the forest and land use sector and the identification of markets in which the GCF could establish partnerships between private sector actors, governments and AEs. Dedicated training and capacity building sessions are expected in 2020 to increase awareness and overall access to GCF support for REDD-plus through SAP, readiness

and PAP. These activities will support development of pipeline origination and overall coherence with the sectoral guidance, and the global coalition on forest and land use expected to be in place early 2020.

### 3.5 Simplified approval process

93. By its decision B.18/06, the Board approved a pilot SAP scheme with the objective of applying best practices to reduce the time and effort needed in the preparation, review, approval and disbursement procedures. This pilot is to be used for the approval of transformational projects or programmes that are ready for scaling up, involve a GCF contribution of up to USD 10 million, and have an environmental and social risk and impact classified as minimal to none.

94. On 31 August 2019, the SAP portfolio consisted of seven approved funding proposals for the amount of USD 57 million. The SAP pipeline consisted of a total of 76 public and private sector CNs and funding proposals, with total requested GCF funding of USD 693 million, and almost USD 1.8 billion of total finance when taking co-financing into account. Sixty per cent of the funding being requested from the GCF is by DAEs and NDAs.

95. The review of the SAP pilot phase is envisaged to be presented to the Board by early 2020. The SAP pilot review will provide recommendations for the further development of the SAP. The objective is to reform the SAP so that, in its full phase, eligible proposals can be processed more efficiently while countries and entities can better understand the value proposition that GCF offers through the SAP compared to a regular funding proposals.

96. Given the 2019 baseline and growing demand for SAP, there could be the potential for 12-15 SAP funding proposals to be reviewed for approval throughout 2020. If so, the Secretariat can explore solutions that allow an increase of its review capacity for SAP projects and programmes and pilot the external review for SAP concept note and funding proposals.

97. Given the high demand for accessing SAP, further knowledge products on how to develop high-quality SAP proposals will be developed throughout the year (2020). In coordination with the Readiness and Support Programme and international and national partners, trainings and webinars on how to access SAP will be delivered to NDAs and entities. As well, further efforts will be undertaken to strengthen the effectiveness of the technical support to be provided to the entities to complete SAP proposals.

### 3.6 Micro, small and medium-sized enterprise pilot programme

98. At its tenth meeting, the Board established a MSME pilot programme with a view to encourage private sector investment in support of MSME climate activities. At B.13, the Board reviewed and authorized the Secretariat to issue an initial RFP aimed at soliciting up to USD 100 million in proposals from AEs and potential AEs. In response to that initial RFP, the Secretariat received 30 CNs from existing and potential AEs as well as financial institutions to work with AEs. It shortlisted seven CNs based on the RFP evaluation criteria and invited the submitters to develop full funding proposals. To date, four projects have been approved, of which one has lapsed. There has been USD 60 million in GCF financing committed. Three remaining proposals that were submitted by AEs and shortlisted are inactive. For two of these, the sponsoring AEs were no longer interested in proceeding. The other proposal is inactive because the AE was not accredited for the requested financial instrument. There is no further active pipeline for MSMEs. The Secretariat is undertaking a review of this RFP and may recommend its closure, or may seek approval of new terms for a call for RFPs, considering lessons learned from the first tranche of the pilot.

### 3.7 Mobilizing funds at scale

99. By its decision B.16/03, paragraph (a), the Board requested the Secretariat to issue an RFP to solicit responses from AEs and potential AEs to establish and manage pilot programmes for MFS. To that end, the Board decided to allocate up to USD 500 million over the course of the initial mobilization period for this programme. The Board also decided to consider proposals submitted under this RFP as part of the wider portfolio of the GCF and through the same modalities as standard proposals. In response to the initial MFS RFP, the Secretariat received 350 CNs from existing and potential AEs, and the Secretariat shortlisted the top 30 CNs based on their quality. The Secretariat has faced numerous constraints in presenting MFS proposals for Board consideration. The shortage of AEs supporting initial submissions or willing to work with project proponents has made it challenging to identify viable projects. Of the shortlisted projects with AE support, there have been difficulties securing no-objection letters and negotiating and executing AMAs with non-AEs. Another challenge is securing country support from NDAs for multi-country funds and programmes. The Secretariat currently projects the submission of three MSF proposals to the Board in 2020 with a value of up to USD 175 million, and it will recommend further steps in the context of an RFP-wide review to be undertaken early in the year.

## IV. Proposed 2020 administrative budget of the GCF including the Board, the Trustee and the Secretariat

### 4.1 Introduction

100. The operation of the Board, the Secretariat and the services provided by the Trustee are supported through an administrative budget approved by the Board against the funds available in the GCF Trust Fund. This document proposes the administrative budget for the period 1/1/2020–31/12/2020 to support the operations of those three entities.

101. Table 3 provides a broad overview of the budget. That overview is followed by individual sections covering the Board, the Secretariat and the Trustee

**Table 3: Proposed administrative budget for the period 2020 (in USD)**

		2019 (approved at B.21)	Proposed 2020 budget	Increase (decrease)	% change
1	Board	3,437,156	3,673,720	236,564	6.9%
2	Secretariat	67,065,847	70,190,932	3,125,085	4.7%
3	Trustee	2,065,000	2,881,000	816,000	39.5%
	<b>Grand total</b>	<b>72,568,003</b>	<b>76,745,652</b>	<b>4,177,649</b>	<b>5.8%</b>

### 4.2 Board

102. The costs relating to the Board, which are detailed in table 4 below, cover expenditures associated with logistical arrangements for and travel to Board meetings; Co-Chair, Co-Chair team and Board representative travel on GCF-related missions; and intersessional meetings of Board committees, panels and working groups. The 2020 Board budget reflects increased costs associated with changes in the operation of the independent TAP and the Accreditation Panel.

The Accreditation Panel budget includes one international consultant supporting the Accreditation Panel on sexual exploitation, sexual abuse, and sexual harassment (SEAH) and gender-related issues. This is needed for the implementation of the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment approved by the Board in B.23. As a consequence, the Board budget shows an increase of 6.9 per cent over the 2019 budget.

**Table 4: Board: Proposed administrative budget for the period 2020 (in USD)**

		2019 budget approved at B.21	2020 proposed budget	Increase/ (decrease)	% change
<b>1.1</b>	<b>Board meetings</b>				
1.1.1	Board representative travel	1,153,919	1,153,919 <sup>a</sup>	0	0%
1.1.2.	Venue and logistics	415,237	415,237	0	0%
	<b>Subtotal: Board meetings</b>	<b>1,569,156</b>	<b>1,569,156</b>	<b>0</b>	<b>0%</b>
<b>1.2</b>	<b>Co-Chair and Board representative travel</b>				
1.2.1	Co-Chair and Board representative travel	24,586	25,324	738	3%
	<b>Subtotal: Co-Chair and Board representative travel</b>	<b>24,586</b>	<b>25,324</b>	<b>738</b>	<b>3%</b>
<b>1.3</b>	<b>Board committees, panels and working groups</b>				
1.3.1	Board representative travel	346,394	356,785 <sup>b</sup>	10,391	3.0%
1.3.2	Venue and logistics	10,927	11,255	328	3.0%
1.3.3	Compensation of Board panels: Accreditation Panel	642,523	804,000 <sup>c</sup>	161,477	25.1%
1.3.4	Compensation of Board panels: independent Technical Advisory Panel	843,570	907,200 <sup>d</sup>	63,630	7.5%
	<b>Subtotal: Board committees, panels and working groups</b>	<b>1,843,414</b>	<b>2,079,240</b>	<b>235,826</b>	<b>12.8%</b>
	<b>Grand total</b>	<b>3,437,156</b>	<b>3,673,720<sup>e</sup></b>	<b>236,564</b>	<b>6.9%</b>

<sup>a</sup> Twelve Board members, 12 alternate members and 24 advisers each are budgeted per meeting.

<sup>b</sup> Assumes six members of the Accreditation Panel and independent Technical Advisory Panel travelling to three Board meetings per year in addition to three one-week missions for pre-Board technical session; two Accreditation Panel members making six site visits; and three Private Sector Advisory Group meetings.

<sup>c</sup> Assumes six panel members working an average of ten days per month, two consultants to Accreditation Panel at 10 days per month and one Accreditation Panel operations support consultant.

<sup>d</sup> Assumes six panel members on monthly fixed honoraria rates.

<sup>e</sup> Assumptions above are made for the purpose of budgeting and do not pre-empt Board decisions on either the number of meetings, the number of days of those meetings, or the venue of those meetings in 2020.

### 4.3 Secretariat budget

103. The 2020 Secretariat budget has been developed in collaboration with relevant divisions and offices of the Secretariat and is based on the Secretariat's best estimate of the resources required to enable it to carry out its work, including the initiatives included in the 2020 work programme. The GCF Senior Management Team (SMT) played a challenger role function when reviewing individual divisional/office budgets.

104. As noted at the beginning of this document, the 2020 work programme is designed to enable the GCF to begin to step into the role envisioned for it in the Governing Instrument --

that the GCF should “become the main global fund for climate change finance” and deliver a “significant and ambitious contribution to the global efforts ... to combat climate change”. The proposed 2020 budget requests are designed to enable the Secretariat to undertake the 2020 work necessary for the GCF to begin to step into that role and operate at scale during GCF-1.

105. While reviewing the budget, it is important to consider the following aspects:
- (a) In GCF-1, it is important to scale up to effectively address the significant increase in projects that will result from the increased funding being provided by the new contributions, together with the expected increase in smaller projects. The Secretariat projects that these factors could result in a significant increase in the number of funding proposals coming to the GCF in GCF-1:
  - (b) In order to improve the quality of projects at entry, the Secretariat will have to perform stronger due diligence reviews, which require the Secretariat to strengthen the project review teams to facilitate effective origination and appraisal, as well as effective downstream FAA negotiation;
  - (c) The projects under implementation are expected to increase from 1 at the beginning of 2017 to about 75 at the beginning of 2020. This number is expected to increase further to about 100 by the end of 2020. The GCF fiduciary responsibilities require the Secretariat to significantly step up its M&E efforts;
  - (d) A significant number of changes are being requested by the AEs and countries to address the ground realities during the project implementation. Dealing with these requests with due care and speed will require the adoption of a dynamic adaptive portfolio management approach;
  - (e) The Secretariat’s administrative budget was prepared to support the work of the Secretariat and the Board. The support functions that the Secretariat is being asked to take on relative to the independent units was not contemplated in past budgets. The Secretariat provides a range of support services to the independent units in the areas of human resources, finance, ICT, procurement, legal support, etc. Given the increase in the size and operations of the independent units and the complexity of the support needed, the strain that servicing them puts on the secretariat’s resources is not minor; and
  - (f) In the past, the Board has approved a number of new policies such as the revised policy on AE fees, the cancellation and restructuring policy and the SEAH policy, just to name a few of them. The implementation, compliance and dissemination of these policies will require significant efforts on the part of the Secretariat.
106. The proposed budget set out in table 5 below requests an increase of USD 3.1 million, or 4.7 per cent, constituting USD 2.3 million for staffing and USD 0.8 million for non-staff needs.

**Table 5: Secretariat: Proposed administrative budget for the period 2020 (in USD)**

Code	Budget category/subcategory	2019 budget approved at B.21	2020 proposed budget	Increase/ (decrease)	% change
<b>2.1</b>	<b>Salaries and consultants</b>				
2.1.1	Full-time staff	44,948,077	47,297,107	2,349,030	5.2%
2.1.2	Consultancies	2,593,100	2,882,165	289,065	11.1%
	<b>Subtotal</b>	<b>47,541,177</b>	<b>50,179,272</b>	<b>2,638,095</b>	<b>5.5%</b>
<b>2.2</b>	<b>Travel</b>				
2.2.1	Travel	2,396,309	2,769,338	373,029	15.6%
2.2.2	Secretariat staff travel to attend Board meeting	284,109	255,000	(29,109)	-10.2%
	<b>Subtotal</b>	<b>2,680,418</b>	<b>3,024,338</b>	<b>343,920</b>	<b>12.8%</b>
<b>2.3</b>	<b>Contractual services, general operating, information technology costs</b>				
2.3.1	Office utility costs	280,000	288,000	8,000	2.9%
2.3.2	Contractual services	7,631,344	7,427,950	(203,394)	-2.7%
2.3.3	Other Operating costs	1,137,840	1,172,050	34,210	3.0%
2.3.4	Communication and printing	1,568,000	1,575,000	7,000	0.4%
2.3.5	Information and communication technology	5,313,365	5,579,055	265,690	5.0%
2.3.6	Depreciation	913,703	945,267	31,564	3.5%
	<b>Subtotal</b>	<b>16,844,252</b>	<b>16,987,322</b>	<b>143,070</b>	<b>0.8%</b>
	<b>Grand total</b>	<b>67,065,847</b>	<b>70,190,932</b>	<b>3,125,085</b>	<b>4.7%</b>

107. Section 4.4 below provides more background on the aggregate figures provided in many of the budget lines included in the Secretariat budget in table 5 above. Then, section 4.5 undertakes a broad review of the work of each division/office of the Secretariat and includes tables providing indicative information on the unit-specific funding.

## 4.4 Aggregate overview of the Secretariat budget items on staffing, consultancy, contractual services and travel

### 4.4.1 Headcounts and Secretariat staff funding

108. The full-time staff budget line included in table 3 above assumes that 225 staff will be on board by 1 January 2020 and that the Secretariat will average 240 staff over the 2020 time frame. The current level of 225 has been maintained to date to enable the Secretariat to better understand the Board's direction for GCF-1 and the related need for expertise before hiring towards the GCF staff limit. The expected average of 240 (and not 250) relates solely to the time it will take to complete the hiring up to 250 once the 2020–2023 Strategic Plan is finalized.

109. While the work programme includes many new initiatives that will increase the Secretariat's workload, the main source of the funding increase being requested for 2020 stems

from the increase in staffing costs that will be necessary to enable the Secretariat to staff up and maintain an average 2020 staffing level of 240. Just like 2019, the level is below the existing staffing target of 250. Further, the stratification of staff levels used to model estimated 2019 staff costs was lower than what was determined to be necessary in order to meet specific evolving Secretariat needs. Finally, within level performance awards that were given to some staff in 2019 will have an impact on the level of funding needed for staff salaries in 2020. As a result of these factors, just maintaining the Secretariat's staff during 2020 at the level of 240, on which this year's budget is based, will require an increase in the Secretariat's budget of approximately USD 2.3 million. This constitutes 75.2 per cent of the requested 2020 budget increase.

110. The Secretariat provides a range of support services to the independent units in the areas of human resources, finance, ICT, procurement, legal support, etc. Given the increase in size and operations of the independent units and the complexity of the support needed, the strain that servicing them puts on the Secretariat resources is not minor. This support function provided to the independent units was not contemplated in past budgets. If the Secretariat is to maintain these support functions, the increased workload related budgets should be internalized in either the Secretariat's budget or the independent units' budgets, the latter of which is in line with the good practice of showing the true cost of operating and maintaining the independent units. It should be noted that for 2020, the independent units were requested to budget for basic ICT services costs. These costs are to cover the ICT services such as the purchase of laptops, mobile phone equipment and subscriptions, helpdesk support, software, etc. If the cost of all the Secretariat support services are allocated to the independent units budget, the total amount to be allocated for the year 2020 is estimated at USD 1.3 million. This amount is calculated based on the independent units' estimates of the staff and consultants to be hired in 2020. The Secretariat will continue to work on this aspect with a view to fine tuning the allocation mechanism to enable related support costs to be fully allocated to the independent units.

#### 4.4.2 Consultancy costs

111. Consultancy costs included in table 5 above relate to the hiring of consultants based in Songdo and consultants who provide services remotely on a call basis. Consultants are used to meet a wide range of needs from operational support to top level senior assistance and are hired to perform specific tasks. In general, they play a critical role in enabling the Secretariat to meet evolving demand for thematic expertise and to address surges in the workload. This flexibility is critical for both the effectiveness and efficiency of the organization. Remote consultants are hired to provide additional expertise in technical areas where the relevant division or office needs niche assistance that cannot be provided by current staff and/or where the Secretariat has been unable to attract the needed expertise.

112. The 2020 consultants budget requests a USD 0.3 million increase relative to the approved 2019 budget request. This increase takes into account the fact that the current usage rate for the Secretariat is projected to be 139 per cent of last year's budgeted level. Further, and as noted in the preceding section, the Secretariat is basing its 2020 budget request on an estimated on-board staffing average of 240, which is 10 below the Board-approved target of 250. As suggested in the work programme, that 2020 staffing target is not an indication of a lack of need, but is rather a result of a decision to wait until the 2020–2023 Strategic Plan is finalized to hire to meet specifically needed expertise. Therefore, to help cover that gap and address its immediate needs, the Secretariat will require an increase in funding for consultants. While the 2020 budget request for consultants is USD 0.3 million higher than the 2019 request, it should be noted that the proposed 2020 consultants' budget of USD 2.9 million is USD 0.5 million less than what was spent on consultants in 2018. Further, and as noted below, it is somewhat offset

by a USD 0.2 million decrease in the request for contractual services funding. Finally, the Secretariat believes that if staffing is adjusted during GCF-1 to keep pace with the expected increase in the GCF-1 workload, the need for consultants will decrease in the coming years.

#### 4.4.3 Contractual services

113. Professional service firms that provide assistance to the Secretariat are budgeted under the line item “Contractual services” in table 5. Related assistance supplements the substantive work programme in areas where it is more efficient to hire outside assistance than it is to procure full time staffing. The process for procuring contractual services with professional firms is rigorous and always involves a price reasonableness review in relation to deliverables. GCF guarantees value for money of such services at several stages of the procurement process. Financial aspects are only looked at after a thorough and comprehensive review of the technical aspects. The Secretariat then undertakes negotiations with the service providers, which includes a review of the terms of reference of the work and the expected deliverables. Once agreed, professional firms work closely with the client division to ensure deliverables agreed are met within the agreed cost. On the procurement of goods, other than the procurement process itself, a technical compliance check is done to ensure value for money on a total cost of ownership basis. The proposed 2020 budget for contractual services is USD 7.43 million. This is a decrease of USD 0.2 million or 2.7 per cent compared to the approved 2019 budget. Specific unit requests for contractual services support are outlined in the sections below.

#### 4.4.4 Travel

114. Secretariat travel is budgeted at USD 3.02 million for 2020, of which USD 2.77 million is projected to support the work programme of the Secretariat and USD 0.25 million is projected for staff members supporting any Board meeting outside of Songdo. The budget of USD 3.02 million represents an increase of USD 0.34 million. This takes into account the increased need for the Secretariat to more closely monitor and support the increasing number of projects that are now being implemented. It also addresses the proposed increase in engagement with NDAs and DAEs that is necessary to support the development of a robust pipeline of strong, GCF-aligned, country-driven CNs and funding proposals. In that regard, it assumes at least 10–12 structured programming dialogues between countries, the GCF and AEs focused on how to address areas of critical climate needs identified in country programmes and long-term strategies through transformational investments. It also reflects the need for increased outreach related to the new theory of change and the 2020–2023 Strategic Plan. Finally, it covers an increase in travel that is essential to enabling the Secretariat to increase its efforts related to complementarity and coherence and to take initial steps towards establishing the GCF as a thought leader in the global climate landscape.

#### 4.4.5 Utility costs and depreciation

115. Utility costs are estimated at USD 0.29 million. These comprise utility costs for the eleven floors of the G-Tower to be occupied by the GCF in 2020. Depreciation: includes the annual depreciation/amortization costs for systems developed in a number of areas including software and hardware; Boardroom equipment; and computer equipment, furniture, etc.

#### 4.4.6 Information and communications technology

116. The 2020 work programme includes a wide range of ICT initiatives designed to make the Secretariat and the GCF a more responsive and truly digital organization. To that end, in 2020, almost every existing GCF information system will undergo an update or revision for strategic realignment. This work will be undertaken with a view to increasing the efficiency and

productivity of the Secretariat and key GCF processes and facilitating the dynamic use of key information to enable both the Secretariat and the GCF partners to better plan and implement their work.

117. ICT work in 2020 will prioritize the systems utilized by NDAs and AEs, and specifically DAEs. Their portals will see richer information, interaction, and near real-time tracking of the status of their requests. In addition, the GCF intends to work towards establishing missing ISO standards in the digital realm as a prerequisite for future pervasive knowledge exchanges. Related work will likely include the deployment of cutting-edge tracking and reporting techniques in adaptation and mitigation contexts (e.g. supported by artificial intelligence and Internet of Things with smart contracts technologies) and the creation of credible information for impact assessments that support evidence-based strategies. In addition, the cloud-only technology platforms of the GCF will undergo steady review and optimization.

118. Equally important, ICT efforts will be designed to support knowledge management efforts and enable us to integrate key information from diverse Secretariat workstreams to support institutional learning and the development of knowledge management tools. Initial 2020 efforts in this area would establish a path for the medium-term visionary goal of establishing the foundation of a global climate intervention platform, which would go beyond the collection of climate programme/project data, facilitate matchmaking and provide tools for partners, academics and “citizen developers”.

119. The ICT work of GCF is performed by a small core team, supplemented by a high ratio of outsourcing arrangements. The 2020 budget has been created using a zero-based approach. It has benefited from the consideration of industry best practises and has undergone scrutiny by the dedicated internal governance body for ICT of GCF. Gartner Benchmarking indicates that GCF ICT costs compare favourably to the averages of national/international governmental organizations with operating budgets similar to that of GCF: 7.9% of Secretariat total in GCF versus the industry benchmark figure of 13.0 per cent, as well as the GCF ICT staffing ratio of 4.1 per cent versus the 10.5 per cent industry benchmark.

#### 4.4.7 Other GCF operating costs

120. Under this cost category are a number of items for budget purposes. These include funding for the third annual GCF Private Investment for Climate Conference, office maintenance costs, office supplies, International SOS, insurance, bank charges, in-house workshops, security services, and the provision of air purifiers, among other.

## 4.5 Office and division-specific work and budget-related information

121. As noted above, this section of the budget includes indicative allocations of 2020 funds for each of the Secretariat divisions and offices. Specifically, these unit breakout sections provide indicative projections for the level of staff, consultancies, travel and contractual services that are required to support the operation of the Secretariat for 2020. The common cost figures in those sections mainly consist of ICT, utility and other operating costs; depreciation; professional services costs related to the Communities of Practice; and knowledge management costs. The staffing number is used as the driver to allocate the common costs among the divisions/offices of the Secretariat. All of these figures are based on the Secretariat’s current view, and are provided with an understanding that the actual distributions are very likely to shift during the year as evolving needs are better understood.

#### 4.5.1 Office of the Executive Director

122. The OED is responsible for overall management of the Secretariat. This includes strategic leadership and direction-setting in policy and planning, hiring and budgeting, operations and programming, and establishing and advancing relationships with GCF stakeholders. OED manages these and other key functions through its Executive Director and its Deputy Executive Director, through its leadership of Secretariat committees on operations, policies and investments, and through a senior management team made up of the directors or heads of its offices and divisions. OED has recently established a team to coordinate Secretariat-wide policy and planning efforts, hired a Senior Ethics Adviser, and placed the role of knowledge management in a central position in GCF operations. In addition, the accreditation management function has been moved to the Office of the Deputy Executive Director with the view to streamline and increase the efficiency of the accreditation process, including preparation and execution of an accreditation strategy and the launch of the re-accreditation process for the entities accredited in 2015. While 2020 OED initiatives will track those included in the work programme above and discussed below in the context of each of the divisions and offices, OED expects to have a significant focus on supporting the Board in efforts related to filling policy gaps and considering ways to enhance the efficiency of the GCF business model. It will also focus on Secretariat-directed efforts to promote a culture of excellence for its staff.

#### Key 2020 work programme deliverables:

- (a) Drive implementation of the 2020 work programme and accountability for results;
- (b) Represent the Secretariat globally;
- (c) Lead cross-Secretariat initiatives on strategic proposal and pipeline review, policy development, business planning, and knowledge management (centrally budgeted);
- (d) Create a culture of respect and innovation within the Secretariat;
- (e) Lead organizational development efforts to ensure that the Secretariat remains fit-for-purpose; and
- (f) Support the development and implementation of an accreditation strategy.

**Table 6: Overview of Office of the Executive Director staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
16	3,619,371	294,695	348,183	620,000	748,663	5,630,912

Note: \* The Office of the Executive Director contractual services budget is primarily related to the accredited entity management activities.

#### 4.5.2 Division of Country Programming

123. The Division of Country Programming (DCP) engages with countries to increase their capacity to identify transformative climate initiatives aligned with short, medium and long-term national priorities that fully meet the GCF investment criteria. DCP also forms an integral part of the project/programme team, leading country engagement throughout the project cycle in close collaboration with the Division of Mitigation and Adaptation (DMA), Private Sector Facility (PSF) and the Office of Portfolio Management (OPM). Finally, DCP supports DAEs through the Readiness Programme and the PPF with a view to enabling the development of project/programme funding proposals and enhancing the capacity to implement an increasing DAE share of projects and related GCF funding. Starting in 2020, DCP will also lead the implementation of SAP and the EDA modality in coordination with DMA and the PSF.

### Key 2020 work programme deliverables:

- (a) Operationalize the Readiness Programme Strategy for 2019–2021, including promoting the new readiness guidebook and country programme guidance and operationalizing the multi-year strategic readiness grants;
- (b) Up to 15 countries supported to develop country programmes including investment planning information to align with NDCs, NAPs or other long-term strategies/plans aligned with global goals of 2/1.5 °C;
- (c) Proactive strategic engagement, including a series of 10–12 structured programming dialogues to drive GCF-aligned, transformational country and AE programming;
- (d) Support up to 20 countries to strengthen public and private capacity to design and deliver transformational investment, including through up to 10 DAEs;
- (e) Support up to 10 PPF requests to expedite the design of innovative transformational interventions across sectors;
- (f) Develop SAP capacity building and knowledge products and engage in at least 5 trainings at regional and national level;
- (g) Develop EDA guidelines and an appraisal toolkit, and organize three webinars with a view to supporting transformational projects and programmes targeting locally-led actions in adaptation and mitigation.

**Table 7: Overview of Division of Country Programming staffing, and Division of Country Programming non-readiness budget information (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
33	6,487,753	162,971	436,998	306,000	1,544,116	8,937,838

Note: \*Related costs include those for the pilot external review for the simplified approval process and simplified approval process outreach videos and webinars.

#### 4.5.3 Division of Mitigation and Adaptation

124. DMA provides technical expertise across all eight mitigation and adaptation results areas for both public and private sector CNs and funding proposals. It also assists NDAs and AEs in the development and structuring of projects and plays a critical role in finalizing the FAAs following project approval to enable projects to start implementation. In addition, DMA is responsible for managing the GCF REDD-plus pilot programme. Finally, it carries out technical reviews of and provides input for PPF applications and draft country and entity work programmes. Recently, DMA has been heavily involved in the preparation of sector guidance. This work is based on a series of stakeholder consultations that are being held through 2019. This co-created guidance, initial versions of which will be finalized in early 2020, will provide information on how to carry out good climate change projects in relevant subsectors and highlight high-priority, high-impact investments in each sector that are consistent with broadly held country priorities.

**Key 2020 work programme deliverables:**

- (a) Submit 30–35 funding proposals for Board approval representing approximately 10 per cent of the GCF-1 project funding allocation;
- (b) Work with stakeholders to finalize sector guidance;
- (c) Ensure quality control: provide technical expertise across all eight mitigation and adaptation result areas to help partners to develop high-quality transformative initiatives;
- (d) Provide feedback on up to 100 CNs and 70 funding proposals, with significantly improved turnaround times;
- (e) Bring 70 per cent of proposals under implementation (cumulative) and shorten the time from FAA execution to FAA effectiveness;
- (f) Finalize initial sector and subsector guidance and support the preparation of relevant training materials/tools/knowledge products and training sessions; and
- (g) Participate in at least 10 strategic programming missions aimed at supporting the development of country-driven, GCF-aligned project proposals.

**Table 8: Overview of DMA staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services	Common services	Total
34	6,685,661	438,005	470,020	250,000*	1,590,908	9,434,594

*Note:*\* Related costs include those for review of project assessment methodologies, provision of services from specialized firms for assisting in part of the review process, and translation of documents.

125. **DMA needs for consultancy, travel and contractual services.** To achieve the key 2020 deliverables mandated for the DMA in alignment with GCF-1, it is essential that DMA receive continued support from full-time consultants who have been partaking in the effective operation of the REDD-plus RBP pilot programme and post-approval process. In 2020, DMA expects to expand its outreach to countries and AEs in light of the new strategic programming, requiring the sustained level of the travel budget. DMA also plans to procure external resources in order to undertake review and assessment of its operations for continuous enhancement and acquire advisory services for specific areas of work.

**4.5.4 Division of the Private Sector Facility**

126. The Division of the PSF works to catalyse private sector low-emission climate-resilient investment in the eight GCF results areas. The PSF 2020 workplan will drive the objectives of the GCF and priority-setting for private sector engagement through its four business services, which cover financial institutions; project finance; private equity; and structured finance. PSF works with an expanding range of financial instruments. In 2020, the private sector work of the GCF will be informed by a new and strengthened approach to business origination that will include the assignment of private sector entity relationship managers and be guided by nationally identified priorities and scientifically based sectoral guidance. The work will also build on joint initiatives with the Readiness Programme, which will map national climate finance gaps and opportunities and enable countries and their private sector entities to better understand how to access the GCF.

**Key 2020 work programme deliverables:**

- (a) Submit 12–16 funding proposals for Board approval;
- (b) Provide feedback on up to 100 CNs and ideas as well as 25 funding proposals;
- (c) Bring 70 per cent of proposals under implementation (cumulative) and shorten the time from FAA execution to FAA effectiveness;
- (d) Participate in at least 10 strategic programming missions aimed at supporting the development of country-driven, GCF-aligned project proposals;
- (e) Increase efforts to demonstrate business models and catalyse private finance in more of the eight GCF result areas, including in the adaptation results and transition areas;
- (f) Formalize relationships with two new partnerships with a view to working with banks that set climate finance targets; and promote the green bank model;
- (g) Strengthen relationships with institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments, philanthropic investors and foundations;
- (h) Proposed next steps on existing RFPs and recommendations for new funding vehicles to enhance private sector capital flows;
- (i) Develop more transformative proposals that lean into the GCF risk appetite; and establish a wide range of instruments and partners to deliver higher leveraged impact;
- (j) Fully develop proposals for new modalities, including local currency lending and support for early stage incubation; and
- (k) Organize the 2020 Private Investment for Climate Conference and develop knowledge products to support effective private sector engagement in developing countries.

**Table 9: Overview of 2020 Work Programme Division of the Private Sector Facility staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
20	3,967,367	347,478	381,539	538,500	935,828	6,170,712

Note:\* Costs primarily related to the global private investment conference

**4.5.5 Division of Support Services**

127. The Division of Support Services (DSS) provides a range of corporate services that are critical to enabling the GCF to carry out its daily activities with efficiency and financial integrity. These include financial management, administration, ICT, procurement, the treasury function and human resources. DSS also provides critical support in a wide range of activities in the project cycle from AMA negotiation to project implementation. In addition, in 2020 DSS will enhance its contribution to project implementation work by strengthening monitoring reports (e.g. annual performance report, interim progress report and audit report review process) and recommending/taking timely action to address any related issues of concern. The team will also work in conjunction and coordination with the other operational units towards achieving the Secretariat’s targets for 2020, for example negotiating AMAs and FAAs; reviewing funding proposals including readiness, PPF and SAP; contributing to the project life cycle activities through monitoring reports and facilitating project disbursements; and supporting the preparation and implementation of GCF policies. The demand for financial and procurement services to support the expanding needs of the GCF is currently surpassing the capacity. To

achieve the above, the unit will continue to work on strengthening teams' complementarity through the use of procured consultants and professional services and by leveraging capacity-building and development opportunities.

**Key 2020 work programme deliverables:**

- (a) Initiate the implementation work on the GCF financial management software;
- (b) Update the documents on loan contribution management to ensure compliance with the policies for contribution;
- (c) Develop optimal allocations of investment portfolios for environmental social governance integration and return enhancement;
- (d) Finalize and launch the new GCF corporate procurement strategy;
- (e) Finalize and implement the sustainable procurement manual and standard operating procedures; and
- (f) Finalize and begin implementing a 2020–2023 human resources strategy.

**Table 10: Overview of 2020 Work Programme Division of Support Services staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
46	7,567,460	427,573	158,861	602,200	2,152,404	10,908,498

*Note:* \* Division of Support Services contractual services primarily relate to the external auditor's fees, services of the search firm to fill executive positions, a job evaluation project, and development of career assessment tools.

**4.5.6 Division of External Affairs**

128. The Division of External Affairs (DEA) leads the Secretariat's efforts related to partnerships, communications and resource mobilization. GCF is a partnerships institution and its capacity to develop and nurture strategic partnerships is fundamental to its performance. In 2020, the DEA will update its partnership strategy to further prioritize GCF partnership efforts.

129. The communications work by DEA plays a key part in sustaining those partnerships and supporting the operational activities of the GCF. It does this by promoting engagement, facilitating knowledge-sharing and norm-setting, reporting on implementation, explaining the climate impacts of GCF work and supporting accountability. In 2020, DEA will advance its work in the area of digital communications to ensure that GCF messages reach targeted audiences with speed and scale and, in the process, build a clear and identifiable GCF brand. Traditional and digital media partnerships will be pursued to enhance GCF visibility and position the GCF as a global thought leader, policy influencer, and innovator on climate finance and transformative climate action. In terms of substance, GCF communications in 2020 will focus on describing GCF activities and explaining how the impact of GCF work is contributing to the realization of countries' NDC priorities and raising climate ambition. To capture and produce human interest narratives and project impact stories from the field, which has been identified as priority work to showcase the value and real-life impacts of investing in GCF, video crews and production agencies will be engaged for filming, editing and post-production work. Related communications will also provide assurance that GCF will support developing country decisions to raise their climate ambitions, a matter that will have particular salience in 2020. Communication materials will also be created to help further clarify to stakeholders and partners how to engage with GCF. Related efforts will cover accreditation, readiness and

preparatory support, project preparation, and access to funding, as well as policies and standards.

130. Finally, in 2020 the DEA resource mobilization team will develop a resource mobilization strategy and continue resource mobilization efforts to support GCF-1 replenishment in the lead up to COP 26, when countries are expected to increase their NDC ambitions. This work will include efforts to mobilize additional resources from new and emerging contributing countries, sub-nationals and cities. The resource mobilization team will also manage the finalization of contribution agreements to progress the speedy effectiveness of the GCF commitment authority. Further, the resource mobilization team will work to finalize the policies for accepting contributions from alternative sources, and it will make efforts to mobilize resources from alternative sources as well. The work of this team will be supported by the communications team, which will provide creative and targeted communications to support the replenishment efforts that will be continuing in 2020.

**Key 2020 work programme deliverables:**

- (a) Implement the GCF communications strategy;
- (b) Coordinate GCF external engagements and outreach;
- (c) Work to finalize guidelines on accepting contributions from alternative sources and, upon Board approval, work to mobilize related contributions; and
- (d) Develop and execute an updated partnership strategy.

**Table 11: Overview of Division of External Affairs staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Communications*	Common services	Total
16	3,383,669	170,621	194,102	1,568,000	748,662	6,065,054

*Note: \*DEA funding for outside assistance will be used for digital media production, engagement and public relations support; media partnerships; video production services, including local video crew costs; printing services, merchandizing - branded materials and headquarters branding; communications writing services, including the annual report.*

**4.5.7 Office of Governance Affairs**

131. The overall objective of the Office of Governance Affairs (OGA) is to provide effective support across the governance structure of the GCF to set a solid framework for GCF operation. Key elements of GCF governance include the Board’s decision-making process; Board relationship management including the arrangements between the GCF and the COP; the relationship of the GCF with other funds; the policies on information disclosure and participation of observer organizations; and addressing governance-related matters. OGA also plays a key role in ensuring the observance of the principles of good governance across the organization, including accountability, transparency, decision-making and inclusiveness. Finally, OGA plays a role in enhancing the understanding of the GCF mandates, policies and rules, and in ensuring a smooth relationship between external and internal actors.

**Key 2020 work programme deliverables:**

- (a) Develop a Secretariat strategy for engaging Board members;
- (b) Plan informative sessions for Board members, including on GCF operations;
- (c) Ensure the Board addresses COP 25 guidance;

- (d) Prepare the draft of the ninth report of the GCF to the COP;
- (e) Implement mandates related to linkages with the Technology Mechanism of the UNFCCC and advancing technology-related matters;
- (f) Engage in COP 25 and key meetings of the thematic bodies of the UNFCCC;
- (g) Organize the annual dialogue with climate finance delivery channels and a stakeholder workshop to highlight lessons learned on complementarity;
- (h) Pilot the “coordinated engagement” initiative launched in Viet Nam in 2018 with at least five countries;
- (i) Pilot the framework and evaluation matrix for scaling up Adaptation Fund projects and proposing specific measures to provide targeted support to DAEs with the Adaptation Fund;
- (j) Prepare concrete options for collaborative programming with the Global Environment Facility; and explore a pathway for GCF funding of Climate Investment Funds unfunded investment plans;
- (k) Lead the development of three Board meetings and respective informal sessions including intersessional consultations and work; make sure that meeting agendas and documentation are developed and delivered in an appropriate and timely manner; and support the Co-Chairs to “continue to enhance the effectiveness of pre-Board meeting consultations in an open, inclusive, consultative and transparent matter”, as per decision B.23/03;
- (l) Review the Information Disclosure Policy (including the disclosure of ESS reports and the live webcasting of formal meetings of the Board); and
- (m) Review the guidelines relating to observer participation, accreditation of observer organizations and participation of active observers.

**Table 12: Overview of Office of Governance Affairs staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
15	2,903,070	196,050	240,689	70,000	701,871	4,111,680

*Note:* \*The Office of Governance Affairs’ contractual services support would be used primarily to support a request for proposal for the mandatory review of the GCF Information Disclosure Policy covering issues related to implementation.

#### **4.5.8 Office of Portfolio Management**

132. The function of OPM is to ensure that programmes are delivered on time, on scope and on budget, and that the GCF learns from the experience of each generation of projects so that it can deliver better results for the next generation. This function is implemented through three primary workstreams. First, the OPM Quality Assurance and Monitoring and Evaluation Team works to ensure that proposals, AMAs, FAAs, and framework and general agreements include provisions to enable effective oversight of projects and programmes. That team also ensures that benefit estimates of proposals are sound and measurable. Second, the OPM Portfolio Implementation Monitoring and Management Team oversees and monitors the implementation of projects by AEs/delivery partners to ensure compliance with GCF requirements and project-specific terms and conditions. It also facilitates the adaptive management of projects to resolve identified problems and improve project execution in line with GCF objectives. Finally, the OPM results and data management workstream designs, implements and optimizes strategies to

operationalize an integrated GCF-level results architecture and enhance performance standards while building portfolio data governance in the Secretariat.

**Key 2020 work programme deliverables:**

- (a) All proposals and their logical frameworks, as well as AMAs, FAAs, and framework and general agreements, will include clear provisions with respect to GCF emissions reductions, theory of change, implementation time frames and arrangements, project indicators, and reporting and evaluation modalities to enable them to be effectively measured, monitored, implemented and supervised;
- (b) Methodologies will be developed, promoted and applied to enable more accurate estimates of the benefits of proposals;
- (c) Knowledge management products will be developed for M&E such as tool kits for indicators; tools for effective monitoring; and publications on lessons learned;
- (d) Streamlined and optimized portfolio management processes will be implemented to enable proactive identification and mitigation of risks and potential adverse impacts during origination; and quick and effective action to facilitate effective implementation;
- (e) Operations manual finalized to support transparency and consistency in the application of GCF requirements; and
- (f) Internal and external stakeholders are supported to strengthen projects/programme implementation capacity and effective reporting.

**Table 13: Overview of the Office of Portfolio Management staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
18	3,530,060	170,391	83,360	383,000	842,245	5,009,056

*Note:*\* Contractual services are projected to be used primarily to support quality assurance of infrastructure projects implementation, provision of analysis and recommendation as well as case studies upon review of the implementation of Readiness 1.0 portfolio, delivery of results outcomes and output analysis, facilitation of capacity-building events, and document production and editing.

**4.5.9 Office of Risk Management and Compliance**

133. The ORMC was established to undertake a comprehensive risk analysis of each proposed GCF investment to enable the Board to take educated risks in the pursuit of investments by GCF that will promote the paradigm shift to low-emission climate-resilient development pathways. In that role, ORMC is responsible for the development and implementation of the GCF risk management framework. In addition, beginning in November 2019, ORMC will be responsible for managing the secondary due diligence review of proposals. This work will be firewalled from GCF project development activities. The integrity of the process will be further enhanced through a separate reporting line to the Executive Director. ORMC reviews will provide the internal Climate Investment Committee with a substantive assessment of the alignment of project proposals with the investment criteria to enable the Committee and the Board to assess the likelihood of project success. Following the November realignment, ORMC will also take on a greater role in the development of policy documents for the Board’s review, and in particular those related to project proposals.

**Key 2020 work programme deliverables:**

- (a) Develop key components of GCF ESS standards;
- (b) Work with the Independent Integrity Unit on the development of standard operating procedures under the Anti-Money Laundering and Countering the Financing of Terrorism Policy and Standard;
- (c) Co-ordinate the implementation of counterparty and project-related SEAH compliance across the Secretariat. In addition, ORMC aims to commence the review of proposals for funding for exposure to SEAH risks – subject to the approval of costs related to retaining subject matter expertise which is necessary to conduct reviews;
- (d) Operationalize the Indigenous Peoples Policy and facilitate the establishment of the Indigenous Peoples Advisory Group;
- (e) Develop operational guidelines and implement the GCF Gender Policy and Action Plan;
- (f) Strengthen the capacity of the GCF and its stakeholders to meet the requirements of the ESS and the Environmental and Social Policy, Gender Policy and Indigenous Peoples Policy;
- (g) Develop a legal risk policy which sets out the principles governing the identification, prevention and management of legal risks arising from the activities and operations of GCF;
- (h) Continue the implementation of the risk management framework, which includes developing risk rating models, conducting internal risk-control assessments, and operationalizing the Compliance Risk Policy;
- (i) Continue the development of the Investment Framework and policies, which includes (i) matters related to developing incremental and full-cost methodologies; and (ii) a policy on concessionality;
- (j) Develop and disseminate sector guidance documents in conjunction with other relevant divisions within the Secretariat;
- (k) Lead a review of risk management framework components; and
- (l) Procure and implement an ORMC management system.

**Table 14: Overview of 2020 Office of Risk Management and Compliance staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services*	Common services	Total
26	5,507,193	147,510	91,817	918,000	1,216,576	7,881,096

*Note:* \*Office of Risk Management and Compliance contractual services are projected to support developing a risk-reward scorecard; conducting compliance risk assessments, addressing compliance policy gaps and developing the processes and procedures necessary for the effective implementation of the Compliance Risk Policy adopted at the twenty-third meeting of the Board; independent risk assessments of complex funding proposals; development of risk control self-assessment tools to enable Secretariat to identify, assess, mitigate, and monitor material risks; environmental safeguards standards review of funding proposals; and access to sovereign rating systems.

**4.5.10 Office of the Internal Auditor**

134. The internal auditing function is designed to help management maintain operational efficiency and effectiveness and operational and financial reliability, and to anticipate and prevent related issues from arising. OIA is positioned to engage with every Secretariat division and office as a partner and colleague to try and make sure that the Secretariat is performing as it

should. This work provides an important level of reassurance to the Secretariat’s executive office that the Secretariat’s processes are robust and the resulting products are sound. To that end, OIA undertakes assurance and advisory engagements with a view to evaluate and improve the effectiveness of the organization’s risk management, control and governance process. In 2020, OIA will continue to implement its rolling risk-based, three-year internal audit plan and plans to perform the following audits: resource mobilization and replenishment; ICT project management; data protection and information security; accreditation (including AMA approval); communication with the Board, advisers, CSOs and UNFCCC; PPF, readiness and NAPs/adaptation planning processes; financial statement preparation; accounting and budgeting; and efficiency and effectiveness of Secretariat KPIs. However, the exact composition will depend on the risk-based assessment by the OIA of the GCF at the end of 2019, taking account of any changes agreed and implemented in the year. OIA will also follow up the results of recommendations made in its audits to date and may perform ad hoc audits or reviews and/or advisory engagements at the request of the GCF Executive Director or Board.

**Key 2020 work programme deliverables:**

- (a) Develop and maintain risk-based work plan for 2020-2023;
- (b) Perform at least 5 audits as planned, and ad-hoc engagements as requested;
- (c) Follow up management action plans to address previous audits, reviews, and other evaluations; and
- (d) Prepare for 2021 external quality assurance review.

**Table 15: Overview of 2020 Internal Audit Staffing and Budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services	Common services	Total
4	725,012	30,000	31,540	-	187,166	973,718

**4.5.11 Office of the General Counsel**

135. The Office of the General Counsel (OGC) provides vital cross-cutting legal support across the full spectrum of GCF matters, including support in relation to administrative, human resource, procurement, institutional, compliance, operational and reputational matters. It also plays a critical role in cross-divisional teams aimed at developing rules and procedures for the operations of the GCF, developing Board policies, negotiating agreements and amendments to such agreements, and verifying the conditions necessary to initiate disbursements and the implementation of approved projects, including readiness and project preparation projects. Finally, OGC supports the Board and its Co-Chairs, as well as the independent accountability units, advising on legal issues as they arise.

136. As the GCF has grown, so has its need for legal support. For example, as the number of new AEs grows, the need to negotiate AMAs will continue to grow. Furthermore, as the number of project approvals grows, the need to finalize FAAs and verify conditions of approval also grows. Equally, as the number of projects under implementation grows, so do the projects which require restructuring, amendments and waivers. The demand for legal services to support these and other expanding GCF activities has currently outstripped the capacity of OGC. As a consequence, the work of OGC is supplemented through the use of procured professional services. While the use of external counsel will continue to be efficient as regards the provision of certain niche extraordinary services, particularly in respect of complex project structures, intellectual property matters and data protection, the use of such assistance to do more routine work is expected to reduce over time as OGC increases its headcount.

**Key 2020 work programme deliverables:**

- (a) Support accelerated implementation of projects by negotiating and signing AMAs (20 AMAs expected for 2020), providing legal review and negotiating and approving term sheets for over 50 funding proposals expected to be submitted to the Board for approval, negotiating and signing at least 27 additional FAAs, and providing legal support on project restructurings, amendments and waivers relating to approved projects;
- (b) Support the enhanced delivery of readiness and related matters by negotiating and signing legal agreements to facilitate expedited delivery of readiness, NAP/adaptation planning and PPF projects and organizing structured dialogues. OGC also expects an ever-increasing demand for grants and readiness support, which will require additional OGC resources;
- (c) Perform increased work on privileges and immunities. There are currently over 100 of these agreements under negotiation, and GCF expects to bring 2 to execution in 2020;
- (d) Review contractual relationships and rework approximately 500 contracts to include relevant provisions of the SEAH policy and Prohibited Practices Policy on a good faith basis, as called for by the Board, which will significantly increase the workload in OGC;
- (e) Support the newly established Appeals Committee to resolve internal issues among staff, which will also increase OGC work. Already there are three appeals in train and more are to be expected as staff avails themselves of the opportunities to challenge internal decisions;
- (f) Support legal aspects of the Board’s workload, including organization of operational and institutional policy development, decision-making, replenishment and trustee-related matters; and
- (g) Provide cross-cutting legal support to the Co-Chairs, Board and independent units.

**Table 16: Overview of 2020 Office of the General Counsel staffing and budget (in USD)**

Projected staff headcount in 2020	Estimated staff cost	Consultants	Projected travel	Contractual services	Common services	Total
16	2,920,490	383,532	182,840	832,250	748,662	5,067,774

#### 4.5.12 GCF Trustee (World Bank) workplan and estimated costs for calendar year 2020

**Table 17: Estimated costs**

GCF Trustee: Administrative budget 1 January – 31 December 2020 (in USD)					
	Board approved budget (1 January 2019 – 31 December 2019) A	Estimated 2020 budget (1 January 2020 – 31 December 2020) B	2019 revised budget (1 January 2019 – 31 December 2019) C	Change (2020 – 2019) B – C	
<b>1. Financial and programme management</b>					
1.1 Staff costs and expenses	480,000	566,000	495,000	71,000	14%
1.2 Travel	40,000	48,000	44,000	4,000	9%
<b>Subtotal: financial and programme management</b>	<b>520,000</b>	<b>614,000</b>	<b>539,000</b>	<b>75,000</b>	<b>14%</b>
<b>2. Investment management</b>	<b>1,400,000</b>	<b>2,115,000</b>	<b>1,545,000</b>	<b>570,000</b>	<b>37%</b>
<b>3. Accounting and reporting</b>	<b>35,000</b>	<b>57,000</b>	<b>46,000</b>	<b>11,000</b>	<b>24%</b>
<b>4. Legal services</b>					
4.1 Staff costs and expenses	100,000	83,000	66,000	17,000	26%
4.2 Travel	10,000	12,000	0	12,000	N/A
<b>Subtotal: legal services</b>	<b>110,000</b>	<b>95,000</b>	<b>66,000</b>	<b>29,000</b>	<b>44%</b>
<b>Total: Trustee</b>	<b>2,065,000</b>	<b>2,881,000</b>	<b>2,196,000</b>	<b>685,000</b>	<b>31%</b>
<i>Note: Staff costs and expenses include all indirect costs and overhead expenses. Estimated amounts are rounded to nearest USD 100; totals may not add due to rounding.</i>					

#### Trustee workplan description

137. **Financial and programme management.** This is expected to be higher in 2020 due to increased level of activity related to processing contribution agreements, cash transfers, reporting, and other activities associated with the GCF-1 replenishment. These items cover processes and procedures relating to all aspects of financial transactions; management and processing of contributions, including negotiation and execution with contributors, all banking, foreign exchange, payment requests and acknowledgements; execution of cash transfers to recipients; and regular financial reporting. It also includes responding to day-to-day enquiries from the Secretariat, contributors and other GCF constituencies and stakeholders. From calendar year 2020 (CY2020), this also includes costs for information technology systems development and customization required to accommodate specific GCF transactions and reporting needs. These information technology costs include annual depreciation for the current financial management systems that apply to all trust funds using World Bank systems, with the GCF share calculated on a pro rata basis.

138. **Investment management.** Costs for CY2019 are calculated based on 0.035 per cent of the estimated average annual undisbursed balance in the GCF Trust Fund until 30 June 2019. Starting from 1 July 2019, the investment management fee for the World Bank's portfolio of

financial intermediary funds increased from 3.5 basis points (0.035 per cent) of the estimated average annual cash balances to 4.5 basis points (0.045 per cent). The increase of 1 basis point in the investment management fee reflects the general increased costs for Treasury services since the fee was last reviewed in 2003. In keeping with the pace of evolving industry trends and to continue delivering high quality asset management services for trust funds, additional resources are needed for the addition of more complex investment options, process implications of regulatory requirements imposed on counterparties and markets, increased cost of compliance, and systems development and maintenance. This increase is reflected in the CY2019 Revised Estimate for Investment Management. For the purpose of the budget estimate for CY2020, an average annual balance of USD 4.7 billion is assumed, based on information provided by the Secretariat. The actual fee will depend on the actual average balances in the GCF Trust Fund, which may be higher or lower than this estimate depending on the timing of receipt of cash contributions, GCF requests for cash transfers, etc. Investment management activities during CY2020 will include implementation of the Investment Management Strategy agreed between the GCF and the Trustee, and the development of a Sustainable and Responsible Investment strategy.

139. **Accounting and reporting.** This includes the maintenance of appropriate records and accounts to identify contributions and other receipts and GCF Trust Fund liabilities, clearing agreements prior to execution, etc.

140. **Legal services.** This includes preparing and negotiating contribution agreements/arrangements with contributors and other agreements and arrangements as required, including with the GCF, and reviewing GCF governance documents as they impact the role of the Trustee. An increase in legal services is expected to be required in 2020 as a result of contribution processing related to the GCF-1 replenishment.

## Annex V: Total administrative budget including independent units

		2019 (approved at B.21)	Proposed 2020 budget	Increase/ (decrease)	% change
1	Board	3,437,156	3,673,720	236,564	6.9%
2	Secretariat	67,065,864	70,190,932	3,125,085	4.7%
3	Trustee	2,065,000	2,881,000	816,000	39.5%
4	Independent Units				
	Independent Redress Mechanism Unit	1,161,220	1,321,238	160,018	13.8%
	Independent Integrity Unit	2,300,000	2,638,044	338,044	14.7%
	Independent Evaluation Unit	4,850,200 <sup>1</sup>	5,581,985	731,785	15.1%
	<b>Grand total</b>	<b>80,879,440</b>	<b>86,286,919</b>	<b>5,407,479</b>	<b>6.7%</b>

<sup>1</sup> The IEU's 2019 budget includes the Forward looking performance review budget of USD 847,000. This was approved by the Board in by decisions B.21/11 (USD 500,000) and B.BM-2019/04 (USD 347,000).

## Annex VI: Results management framework for the Secretariat's 2020 work programme

<b>Priority 1: Strengthen country-driven planning and the partnership with NDAs to originate and deliver high quality, innovative, scalable investments to realize paradigm shift</b>				
<b>Assumptions:</b>				
(1) Board adopts GCF-1 strategic plan at B.25				
(2) Board adopts workplan of the Board for 2020-2023				
(3) Board approves action to establish platform for climate finance and investment				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of verification</b>
<b><u>KPI 1.1</u></b> Support through Readiness to strengthen country-driven planning and programming	45 countries supported through Readiness to strengthen country-driven planning and programming	35 countries supported through Readiness to support the goal of strengthening country driven planning and programming	Primary: DCP Support: DMA/PSF/ORMC	Approved readiness requests
<b><u>KPI 1.2</u></b> Enhanced complementarity and coherence with other climate finance delivery channels	Complementarity and coherence strategies embedded in 5 new FPs or CNs	Complementarity and coherence strategies embedded in 10 new FPs or CNs	Primary: OGA Support: DCP/DMA/PSF	Report of the Activities of the Secretariat
	5 countries engaged in complementarity and coherence through readiness and other preparatory resources during 2019	5 countries engaged in complementarity and coherence as part of their programming, including through Readiness and other preparatory resources during 2020	Primary: OGA Support: DCP/DMA/PSF	Annual Update on Complementarity and Coherence
	Consultations with partners on establishing platform	Establish platform for climate finance and investment with partners	Primary: DMA Support: PSF/DEA	Platform is online and available to all stakeholders
<b><u>KPI 1.3</u></b>	Establishment of Climate Investment Committee;	70 CNs endorsed by CIC for FP development	Primary: DMA/PSF/DCP	

Review and feedback on CNs and FPs	24 FPs reviewed and endorsed for inter-divisional review	<b>95</b> FPs endorsed by CIC for interdivisional review		CIC minutes
<b>KPI 1.4</b> Number and volume of FPs submitted for Board approval	19 FPs submitted for Board approval (B.22, B.23)	<b>42–51</b> FPs submitted for Board approval	Primary: DMA/PSF/DCP	FPs passed independent assessment of the quality of proposals and allocated FP number for Board consideration
	USD 707 million total GCF resources within FPs submitted for Board approval (B.22, B.23)	<b>USD 1.2 billion–1.5 billion</b> total GCF resources FPs submitted for Board approval		
<b>KPI 1.5</b> Improved quality of CNs, FPs, SAPs, Readiness grants, NAPs, AMAs, FAAs	9 projects and programmes where ex ante greenhouse gas results verifications have been undertaken	<b>15 projects and programmes</b> where ex ante GHG results verifications have been undertaken	Primary: OPM Support: OED/OPM/DSS/ORMC/DCP	Report of the Activities of the Secretariat
	11 communities of practice established in 2019 to support the development of sector guidelines	At least <b>10</b> sector guidance documents developed and disseminated	Primary: DMA / ORMC	Final sector guidance documents published
<b>KPI 1.6</b> Enhanced gender mainstreaming	100% of all FPs approved in 2019 contain gender action plans and gender disaggregated data	<b>100%</b> of all FPs approved in 2020 contain gender action plans and gender disaggregated data	Primary: ORMC Support: DMA/PSF/OPM/DCP	Secretariat assessment of integration of gender elements in FPs
	79% of all FPs approved in 2019 contain gender assessments	<b>100%</b> of all FPs approved in 2020 contain gender assessments		Publication of Board meeting documentation on the GCF website

<b>Priority 2: Galvanize the programmatic engagement of GCF with AEs</b>				
<b>Assumptions:</b>				
(1) Relevant Board decisions adopted				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of Verification</b>
<b><u>KPI 2.1</u></b> Number of AMAs signed.	14 AMAs signed	<b>25</b> AMAs signed	Primary: DCP Support: OGC/DSS	Report on status of AMAs at each Board meeting
<b><u>KPI 2.2</u></b> Number project/programme ideas/concepts supporting direct access through Readiness/PPF	20 project/programme ideas/concepts supporting direct access through Readiness/PPF	<b>25</b> project/programme ideas/concepts supporting direct access through Readiness/PPF	Primary: DCP Support: DMA/PSF/OPM	Readiness/PPF reports
<b><u>KPI 2.3</u></b> Major dialogues/conferences with countries and AEs	2 major events undertaken: 2019 GPC and GPIC	<b>2</b> major events: 2020 Global Private Investment Conference, Global Programming Conference; <b>10-12</b> structured programming dialogues	Primary: PSF/DCP Support: DSS	Report of activities of the Secretariat
<b><u>KPI 2.4</u></b> Strengthened accreditation partnerships and processes	Establishment of new accreditation framework	Development of an accreditation strategy	Primary: OED Support: DCP/DMA/ PSF	Submission of accreditation strategy to Board
	51 DAEs accredited out of 88 (58%)	Enhanced representation of DAEs: <b>66</b> DAEs accredited or <b>60%</b> of the total AE portfolio		Accreditation status report
	Preparations for re-accreditation	Launching the re-accreditation process for the accredited entities with AMAs made effective in 2016, pending Board consideration of the re-		

		accreditation process one year in advance		
<b><u>KPI 2.5</u></b> Strengthen entity work planning	2019 KPI: Enhanced engagement with AEs to facilitate entity work programming (EWP)	Establish at least <b>2</b> pilot multi-annual entity work programmes	Primary: DCP Support: DMA/PSF	

<b>Priority 3: Fill key gaps in the GCF policy and governance frameworks</b>				
<b>Assumptions:</b>				
(1) Policy documents are cleared within 21-day period by the co-chairs or committees;				
(2) Secretariat holds webinars for Board members				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of Verification</b>
<b><u>KPI 3.1</u></b> Accountability and reporting to the COP	8 <sup>th</sup> Report of the GCF to COP submitted to UNFCCC Secretariat 12 weeks before COP starts	<b>Response</b> to COP guidance to the GCF incorporated into Secretariat operations after COP 25 and ahead of B.26 <b>and 9<sup>th</sup> Report</b> of the GCF to the COP submitted on time to UNFCCC Secretariat	Primary: OGA Support: All	Transmission of the report, date of transmission Memo to SMT, integration into relevant workplans
	Collaboration with the UNFCCC Secretariat on activities advancing COP guidance to GCF includes staff exchanges and collaboration workplan.	Enhanced collaboration with the UNFCCC Secretariat and constituted bodies in activities to advance COP Guidance to the GCF, such as on activities related to NAPs		GCF Report to the COP and Report on the activities of the Secretariat
<b><u>KPI 3.2</u></b> Support for informed Board decision-making and closing policy gaps	<b>60%</b> of documents issued on time during the first two Board meetings of 2019	<b>100%</b> of Board meeting documents ready for publication in accordance with the Rules of Procedure	Primary: OGA Support: All	Date of transmission to Co-Chairs; Publication of Board meeting documentation on the GCF website.

				<p>The verification will also assess the following:</p> <p>1) Whether the document was part of Co-Chairs consultations and the time-period required to respond to Board member comments.</p> <p>2) Whether the Co-Chairs determined the exceptional circumstances as agreed by the Co-Chairs and whether the Co-Chairs provided a timeframe for the circulation of documents to the Board.</p> <p>3) Whether the Secretariat seeks guidance from the Co-Chairs as to how to resolve divergent views expressed during the course of consultations on a document</p>
	33% of policy matters presented are adopted per Board meeting	100% of policy matters in Board workplan prepared and presented according to workplan schedule to facilitate higher adoption rate	Primary: OGA/OED Support: All	Board meeting agendas
<b><u>KPI 3.3</u></b> Review of the risk management framework components I-VII	Internal consultation on the review timeline	Complete internal review of the risk management framework components I-VII and submit to RMC for consideration	Primary: ORMC	Report of the activities of the Risk Management Committee and/or presentation of updated

and the initial financial risk management framework	Internal consultation between relevant divisions on gaps within the initial financial risk management framework	Complete internal review of initial financial risk management framework and submission to RMC for consideration	Primary: ORMC Support: DSS/DEA	components to Board for consideration
<b><u>KPI 3.4</u></b> Develop and present legal risk policy for Board consideration	Draft legal risk policy to be consulted with relevant Secretariat divisions and independent units	Preparation of policy and presentation to Board for consideration; implementation of policy subject to Board approval	Primary: ORMC Support: OGC	Publication of relevant Board documents
<b><u>KPI 3.5</u></b> Supporting delivery of the GCF strategic and policy agenda	First draft of 2020–2023 Strategic Plan presented to Board; preparation of strategic programming framework; preparation of 2020-2023 Board workplan	Finalization of a Strategic Plan for 2020–2023	Primary: OED Support: All	Adoption of Strategic Plan by Board
	Preparation of policy manual and funding proposal manual, development of policy cycle, preparation of readiness manual.	Finalization of policy manual	Primary: OED Support: ORMC/DMA/PSF/DGP/OGA	Approval of policy manual by SMT
	Mapping of standard policy preparation practices	All policies submitted to the Board for B.26 and B.27 developed in line with the GCF policy manual		Publication/approval of relevant Board documents.
<b><u>KPI 3.6</u></b> Strengthen awareness of ethical standards	Recruitment of ethics specialist; development of engagement protocol with IUs	6 ethics-related trainings and workshops.	Primary: OED Support: All/DSS/ORMC	Regular reporting to the ED.

<b>Priority 4: Reduce engagement costs and time to funding by improving efficiency, effectiveness and transparency of GCF processes and speed of delivery</b>				
<b>Assumptions:</b>				
(1) Relevant Board decisions adopted (2) Process mapping completed by end 2019 (3) The conclusion of privileges and immunities (P&I) agreements depends on the willingness from countries to grant GCF P&I, including the completion of the relevant internal approval process				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of Verification</b>
<b>KPI 4.1</b> Review and feedback on CNs and FPs	54% of CNs reviewed within 30-day target (from submission to first feedback)	<b>75% of CNs</b> reviewed within <b>30-day</b> target (from submission to first feedback)	Primary: DMA/PSF	Report of the Activities of the Secretariat
	58% of FPs reviewed within 90 day target (from start of interdivisional review to iTAP submission)	<b>75% of FPs reviewed within 75</b> day target (from start of interdivisional review to iTAP submission)	Primary: DMA/PSF	Report of the Activities of the Secretariat
	48% of SAP CNs received Secretariat's feedback within the target (21 days)	<b>70% of SAP CNs</b> receive Secretariat's feedback within the target (21 days)	Primary: DCP Support: DMA/PSF /ORMC	
<b>KPI 4.2</b> Accelerate FAA signings	27 FAAs signed	<b>33</b> FAAs signed (especially focusing on signing FAAs that were unsigned at end of 2019)	Primary: DMA/PSF Support: OGC/OPM	Report on status of FAAs at each Board meeting
<b>KPI 4.3</b> Projected aggregate disbursements	USD 672 million cumulative disbursements	Cumulative disbursements reach <b>USD 1.2–1.6 billion</b>	Primary: DMA/PSF/OPM Support: DSS/ORMC	Reports on status of portfolio to Board

<p><b>KPI 4.4</b> Privileges and Immunities (P&amp;I)</p>	<p>22 cumulative P&amp;Is signed through September 2019; information on systemic risk posed by absence of P&amp;I included in Secretariat report to Board at B.23</p>	<p>5 additional Privileges and Immunities Agreements to be signed</p>	<p>Primary: OGC Support: DCP</p>	<p>Status report on P&amp;I</p>
<p><b>KPI 4.5</b> Strengthen and standardize procurement systems to ensure value for money and transparency</p>	<p>Procurement requests are received through Procurement System (SAP Ariba)</p>	<p>Procurement Requests are acknowledged and procurement actions are initiated within <b>10 working days</b> from receipt by Head of Procurement</p>	<p>Primary: DSS/Procurement</p>	<p>Procurement tracking list and Procurement System (SAP Ariba)</p>
	<p>Procurement produces quarterly statistic report</p>	<p><b>100%</b> of requested data made available within 7 days</p>		<p>Quarterly statistics collected over the year</p>
		<p><b>100%</b> of data is usable by those it is intended to serve</p>		<p>Survey in December 2020</p>
<p><b>KPI 4.6:</b> Ensure transparency to non-classified information through real-time information systems</p>	<p>To be established and reported</p>	<p><b>80%</b> of non-classified authoritative information made available to external parties</p>	<p>Primary: DSS/ICT Support: OED, DEA, All</p>	<p>Established start of 2020 baseline, enabled by house-wide taxonomy, data classification AI, inventory and curated information hub. Online pages, tools, APIs for pulling data are in place</p>
	<p>Identification of data sets and targets; monitoring system not applied yet</p>	<p><b>75%</b> of data sets are kept current by the business owners according to targets by class</p>	<p>Primary: DSS/ICT Support: OED, DEA, All</p>	<p>Automated monitoring wherever feasible, complemented by check through OIA</p>

<b><u>KPI 4.7</u></b> Externally audited financial statements for 2019	Audit work to start in Q4-2019 2018 financial statements clean audit opinion was obtained	Financial statements audited for the year 2019, with unqualified audit opinion	Primary: DSS/Finance Support: All	Opinion from the external auditors
<b><u>KPI 4.8</u></b> Templates and SOPs developed for Secretariat operations committees	Establishment of Climate Investment Committee and Operations Committees; Administrative Instruction establishing committees adopted	4 sets of templates and SOPs established for Committees	Primary: OED Support: OC and CIC Secretary	Distribution of templates and SOPs to Secretariat divisions

<b>Priority 5: Adopt dynamic adaptive management of portfolio implementation and strengthening the results management of GCF</b>				
<b>Assumptions:</b>				
(1) Relevant Board decisions adopted for the uptake of the integrated results management framework				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of Verification</b>
<b><u>KPI 5.1</u></b> Integrated results management framework (RMF) developed	Interim results framework insufficient to fully measure organizational efficiency and climate results	An integrated and 'fit-for-purpose' RMF submitted to B.25 (and operationalized, subject to Board approval)	Primary: OPM Support: All	Integrated RMF
	Lack of measurement, reporting and verification (MRV) and monitoring and evaluation (M&E) systems	MRV/M&E systems finalized and guidance on MRV/M&E systems developed for use by AEs		Methodologies, guidelines and protocols on MRV/M&E systems

<b>KPI 5.2</b> Implementation reports reviewed and 2020 APPR published	40 APRs reviewed, 50 readiness grants requesting subsequent disbursements reviewed	At least <b>65 APRs</b> and <b>90 Readiness reports</b> reviewed, analysed and AEs/DPs/NDA engaged on findings Follow-up engagement on portfolio implementation issues held with each of the five entities to which GCF is most exposed with respect to funded activities and the Readiness Programme	Primary: OPM Support: DCP/DMA/PSF /ORMC	APPR; Tools and guidelines produced; Record of workshop and AE/DP/NDA meetings
	APPR produced for B.24	APPR 2020 presented to B.27	Primary: OPM	Board minutes

<b>Priority 6: Consolidate institutional capacities and take initial steps to position the GCF to be a global thought leader and policy influencer in climate finance</b>				
<b>Assumptions:</b>				
(1) Relevant Board decisions adopted (2) Communications strategy adopted by SMT by end 2019				
<b>KPIs</b>	<b>Baseline (as at 30 Sept 2019)</b>	<b>Target (by 31 Dec 2020)</b>	<b>Division/Unit</b>	<b>Means of Verification</b>
<b>KPI 6.1</b> Enhanced staff engagement and increased capacity	Job classification and standardization of job descriptions undertaken	<b>95% staff</b> with standardized Job Descriptions completed, updated and used to ensure efficiency of operations	Primary: DSS/HR	Internal validation by HR
	88% average fill ratio	<b>95% average fill ratio</b> (total available positions/actual headcount)	Primary: DSS/HR	Internal validation by HR
	4% turn-over (3 <sup>rd</sup> quarter)	<b>Maximum 10-20% turn-over</b> of critical staff positions.	Primary: DSS/HR	Internal validation by HR

<p><b><u>KPI 6.2</u></b> Fostering a culture of innovation and respect</p>	<p>Culture circles established; SMT retreat adopts 10-point commitment; staff retreats and internal newsletter established</p>	<p>Regular assessment of implementation of SMT statement of commitment</p>	<p>Primary: SMT Support: All</p>	<p>SMT minutes</p>
<p><b><u>KPI 6.3</u></b> Operationalization of the knowledge management system internally and externally</p>	<p>Draft Knowledge Management Strategy and Action Plan developed.</p>	<p>KM action plan initiated and GCF KM system launched</p>	<p>Primary: OED Support: All, DSS</p>	<p>GCF KM system launched, and KM action plan initiated</p>
		<p>Online knowledge hub launched featuring co-generated knowledge products developed with partners</p>		<p>Knowledge hub is online and available to external and internal stakeholders</p>
<p><b><u>KPI 6.4</u></b> Implement communications strategy</p>	<p>Revised draft communications strategy to be considered by SMT November 2019</p>	<p>Adopt new branding guidelines</p>	<p>Primary: DEA</p>	<p>Endorsement of branding guidelines in SMT minutes</p>
	<p>30 September 2019 baselines: Twitter – 31,196 followers LinkedIn – 24,748 followers Instagram – 3,220 followers Facebook – 3,247 followers</p>	<p><b>15%</b> increase in followers on social media; <b>10%</b> increase in website pageviews and sessions</p>		<p>Website traffic, social media dashboards</p>

	2019 Q3 website baseline: Sessions: 188,311 Pageviews: 499,256			
<b>KPI 6.5</b> Develop partnership strategy & commence implementation	Draft partnership strategy finalized and submitted to SMT for its consideration.	Partnership strategy endorsed and implementation plan prepared	Primary: DEA Support: All	Endorsement of partnership strategy document in SMT minutes
		Support GCF global and regional outreach and engagements with representation at at least <b>10</b> regional and global events (including at least two side events on the margins of these event organized by the GCF).		Reports of Secretariat activities to Board
<b>KPI 6.6</b> Mobilize additional resources and provide further support to GCF-1 replenishment	16 countries announced their intention to pledge (worth USD 7.420 billion)  Pledging conference is planned to take place on 24-25 October 2019 in Paris, France	Long-term resource mobilization plan for GCF developed and endorsed	Primary: DEA  Support: OGC/DSS	Endorsement of resource mobilization plan in SMT minutes
		Submission of policies for contributions from alternative sources to board		Publication of relevant Board documents
		Finalize contribution agreements/arrangements for least <b>90% of the pledges</b> made		Number of signed contribution agreements and arrangements
		Throughout the GCF-1 period, continue resource mobilization efforts aiming to reach <b>at least the level of IRM pledges</b>		New pledges and new contribution agreements/arrangements

## Annex VII: Independent Evaluation Unit Annual Work Plan and Budget for 2020

1. The Independent Evaluation Unit Annual Work Plan and Budget for 2020 is organized as follows:

- (a) Section 1.1 summarizes the IEU's key achievements for 2019.
- (b) Section 1.2 presents the IEU's 2020 work plan.
- (c) Section 1.3 presents the budget for the IEU for 2020.

### 1.1 IEU's achievements in 2019

2. The IEU will accomplish by the end of 2019, all tasks it set out to achieve in its 2019 work plan and agenda (decision GCF B.21/13). IEU's key achievements for 2019 include (please refer for details to GCF/B.24/inf.06 for the IEU's 2019 Annual report):

- (a) **Strengthening the IEU**
  - (i) **Developing a GCF evaluation policy** in 2018 (as discussed in document GCF/B.23/Inf.04) will be submitted to the Board at B.24<sup>1</sup> and will be tabled at B.24. The policy addresses the evaluation functions within the GCF as informs its performance, effectiveness and efficiency.
  - (ii) **Strengthening the IEU's data capacities** and supporting the IEU in its rigorous, evidence-based evaluations. The IEU's overall focus is produce data-driven evaluations. The IEU's data interfaces recognized key deficiencies in existing systems at the GCF including a lack of meta-data, protocols, lack of definitions and lack of consistency because of varied times for updates, across FLUXX, country portals and iPMS. The IEU has now developed a range of datasets that enable it to produce consistent, replicable analyses because it has developed meta-data and protocols for these datasets (see for example Table 1).
  - (iii) **Regular activity reports to the GCF Board.** The IEU has submitted the 2018 Annual Report of the Independent Evaluation Unit (document GCF/B.21/Inf.09) and Report on the activities of the Independent Evaluation Unit for February and June (documents GCF/B.22/Inf.14 and GCF/B.23/Inf.04, respectively). The IEU is also submitting its annual report to the Board at B.24.
  - (iv) **Strengthening the office.** The IEU successfully hired two Evaluation Specialists and one Evaluation Researcher in 2019. By the end of 2019, the IEU will have thirteen staff. IEU staff are supported by eleven Songdo-based consultants and five interns who provide critical support as the IEU moves towards optimal functioning capacity (see Table 5). The IEU's Songdo based team includes assistance for the IEU data capacities, evaluations, evaluation related evidence collection and research and communications.
  - (v) **Enhancing the evaluation-related skills of IEU team.** In 2019, the IEU organized training on systematic reviews, evidence gap maps, meta-analyses, meta-syntheses and geographical information systems.
- (b) **Producing high-quality evaluations:** In 2019, the IEU will have submitted four evaluations to the Board (see Table 6).

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<sup>1</sup> It was admitted as an agenda item for B.21 but was not addressed before the meeting concluded. Similarly, it was not addressed at B.22 and B.23.

- (i) **The IEU submitted the Independent Review of the GCF's Results Management Framework (RMF)** to the Board at B.22 (GCF/B.22/07). The review found several weaknesses in the RMF, including insufficient guidance by the GCF on how project outcomes currently contribute to a paradigm shift; a lack of clear definitions and an absence of protocols for indicators. Overall the Review concluded that although the RMF is present in the GCF, it is currently marginalized in decision-making and is not useful. In endorsing the report, the Board asked the Secretariat to respond to the evaluation's findings and recommendations at B.24 (see Table 6).
- (ii) **The IEU submitted the Independent Evaluation of the Readiness Programme** to the Board at B.22 (GCF/B.22/03). Key recommendations from the evaluation included articulating clearly what the Readiness Programme is getting countries ready for, how, setting targets and measuring success. The Evaluation encouraged the Secretariat to focus on national climate needs, making changes within the structure and organization of the Secretariat, and enhancing Readiness Programme's role in capacity building, outreach and support for GCF pipelines. The Board endorsed the evaluation and requested the Secretariat to address the evaluation's recommendations and present an update before the end of 2019 (see Table 6).
- (iii) **The IEU submitted the IEU's Forward-looking Performance Review (FPR)** of the GCF at B.23 (GCF/B.23/20). The most ambitious and far-reaching of IEU's evaluations, the FPR assessed how well the GCF has performed in contributing to the paradigm shift in countries to low-emission and carbon resilient development pathways. The FPR recommends the GCF: (i) strengthen its implementation and business processes with a focus on impact and innovation; (ii) institute a new strategic plan with clear targets and pathways; (iii) re-emphasize adaptation investments and recognize the role new actors play in mitigation while innovating with financial instruments; and (iv) provide greater delegation of authority to the Secretariat. The Board noted the FPR and requested the Secretariat to provide a management response at B.24 (see also Table 6).
- (iv) **(Forthcoming) Assessing the GCF's country ownership approach (COA)**. The assessment examines GCF's success in incorporating country needs and country ownership in the design and implementation of GCF's policies and practices. The evaluation will be submitted to the GCF Board at B.24.
- (v) **(Forthcoming) Evaluating the GCF's environmental and social safeguards (ESS)** including the Environmental and Social management system (ESMS). The ESS assessment examines the extent to which past and current social and environmental safeguards and management systems have helped mitigate key risks for the Fund. The IEU's ESS evaluation will be submitted to the GCF Board at B.25, following advice from the GCF co-chairs.
- (vi) **(Forthcoming) The IEU's Learning-Oriented Real-Time Impact Assessment (LORTA)** programme. The LORTA programme aims to help GCF projects *measure* the attributable causal change of GCF's investments; identify who benefits, how much, why and under what circumstances. LORTA is a key multi-year programme that is dedicated to helping projects build independent measurement and data systems so that the IEU will be able to report overall GCF impacts in a quantifiable, credible, verifiable way. LORTA is also part of IEU's advisory services. The LORTA synthesis report discusses the programme's selection process, evaluation design and questions, lessons learned, and sample

size and design. The LORTA synthesis report (and reports from two baseline studies) will be submitted to the Board in 2020.

- (c) **Engagement, partnerships and capacity building**
- (i) **As requested in its TORs, the IEU engages with key GCF partners and stakeholders** to share knowledge on evaluating climate change actions. IEU's key engagements during the reporting period are discussed in GCF/B.24/inf.06. These events represent important opportunities for the IEU to engage with the wider evaluation community and ensure that the IEU is constantly learning while also sharing its own methods, processes and learning globally. Key engagements included GCF's first and second replenishment meetings in Oslo and Ottawa; participating in the United Nation's Evaluation Group's Evaluation Week in Nairobi; the GCF's Global Programming Conference; delivering a keynote speech at the Global Development Network's Conference in Bonn. The IEU's staff also presented papers on evaluative evidence curation and other climate change evaluation topics at the International Development Evaluation Association's 2019 Global Assembly in Prague and at the Learning About Transformational Change in International Climate Finance workshop hosted at the NAMA Facility in Bonn. The IEU's staff also participated in an FAO workshop on forest related indicators in Rome; Transformations 2019 Conference in Santiago.
- (ii) **The IEU also signed formal partnership agreements** with key IEU and GCF stakeholders, including Memoranda of Understanding with the Rwanda Ministry of Environment, the Central American Bank for Economic Integration, the Center for International Forestry Research (re-signed), the Development Bank of Southern Africa, and the International Union for Conservation on Nature and Natural Resources (see GCF/B.24/inf.06 for a list of partnerships).
- (iii) **Building capacity both within Secretariat and with GCF partners.** The IEU hosted the LORTA design workshop; lunch talks to GCF staff to enhance awareness around using evidence gap maps. The IEU prepared a range of training materials for stakeholders that are also available on the IEU website. These include multimedia modules on developing a theory of change; how evaluations contribute to the United Nations Sustainable Development Goals; how to build quality into proposals; and accounting for human behavior in evaluations, among other capacity building materials (see GCF/B.24/inf.06 for IEU's communication produced in 2019).
- (iv) **Evaluative evidence gap maps, syntheses and working papers.** In 2019, the IEU completed evaluation-related evidence gap maps on forestry and adaptation. It also published a series of evaluation-related methods paper and learning papers (see GCF/B.24/inf.06 for a full list of these papers and products).
- (d) **Uptake and communications:** Clearly it is important that evaluations and evaluation related evidence be delivered in a way that is understandable and easy to digest for a variety of audiences with different language needs, a diversity of scientific training and a large range of backgrounds. In 2019 the IEU developed the GEval series of publications, consisting of 2-page notes and 4-page briefs for policymakers and non-specialist audiences that summarize the findings, methods and recommendations of the IEU's evaluations. In addition, the IEU produced quarterly newsletters and organized events. The IEU website<sup>2</sup> has grown considerably during the reporting period and now includes

<sup>2</sup> See <https://ieu.greenclimate.fund/>

blogs, podcasts, slideshows, videos, downloadable reports and papers. It has also translated its evaluations into Spanish and French.

- (e) An expenditure report for the IEU's budget is presented in Table 2. In August 2019, the IEU was 90% disbursed, while taking into account the commitments for the rest of the year. This budget also includes the budget for the FPR, for which monthly budget updates were also shared with the Budget sub-committee of the Board. The IEU expects to be 92% disbursed by the end of the year. Indeed, this is testimony to the IEU's capability for planning, predicting and managing its promised work plan.

## 1.2 IEU's 2020 Work Plan

3. This section discusses the IEU's work plan for 2020. All activities are consistent with the IEU's approved three-year rolling work plan (see annex III).

### **IEU Objective I: Building and strengthening the IEU**

4. **Staffing the IEU:** In 2020, the IEU will undertake five evaluations (see Table 6). It will also move towards bringing a greater amount of its evaluation work in-house compared to earlier years. As is expected with an increased portfolio size of the GCF, these evaluations will represent a greater amount of work being done for each evaluation, and the IEU's work load will also increase in terms of total evaluations. During 2020, as indicated earlier, the IEU will start to migrate some of its consultant positions to staff positions. Overall this means that the IEU's overall staff strength will increase. It will add one additional position in Songdo and will convert two consultant position to staff. These represent good practices for any new and emerging office: The IEU is growing at a slow enough rate for the office to develop a culture and slowly build its capacity. It is also converting consultant positions to staff positions, so that it is strengthening itself as an institution. It is anticipated that at the end of 2020, the IEU will have sixteen staff members. Again, this staff size is less than that at any comparable organization including that at the GEF Independent Evaluation office which has 22 staff members or at UNDP that has forty staff.

5. In 2020, the IEU's evaluations will be supported by short-term consultants and longer-term headquarters-based consultants. Short term consultants are thematic and sector experts who support IEU's evaluations and specifically ensure that IEU's evaluations reflect best knowledge and expertise globally. Longer-term consultants are required to support the IEU's data related needs. During the past two years it has become clear that the IEU needs to strengthen its data capacities even more. Indeed, all the evaluations brought by the IEU were characterized by highly credible, replicable and representative data, produced from both internal and external sources. The IEU's Datalab hosts not just project-related data but also increasingly other external data such as NDC data climate finance data, transparency data and externally-sourced geographically disaggregated data that can be analyzed on demand, (see annex IV). It also supports survey data from projects (baseline data, counterfactual data, mid line data) etc. as well as data on APRs, etc. In 2020, the IEU will reduce the number of consultants by one and will have ten long term consultants (see annex IV for a listing of IEU analysable datasets). Over time, this number will continue to reduce (see Table 5).

6. **The evaluation policy:** It is expected that the Evaluation Policy of the GCF will be approved at B.24. Subsequently, and predicated on this, the IEU will work closely with its collaborators including the accredited entities and the Secretariat and the independent offices under the supervision of the Board, to develop guidelines and procedures for the evaluation function. It will also develop procedures and guidelines for the evaluation policy, and an initial outline for discussion/noting has been provided in document GCF B.24/xx. It is expected, that guidelines and procedures for the evaluation function will be ready by the end of 2020. This will

include deep engagement with a variety of stakeholders, including critically evaluation offices of accredited entities and is discussed further in the capacity building section.

7. **Internal capacity development:** The IEU has staff that are very committed and dynamic. However, it is also a young team and as the team has grown, there is a clear need for two things – the capacity and inclination to work in teams and the ability to grow as the demands of the subject increase. New areas are increasingly becoming important to consider as the IEU explores new ways of becoming faster and smarter itself. One area that has emerged as key in the impact literature, especially in the context of climate change has been the ability of investments to deliver their goals, despite good intentions. This also came out significantly in the IEU’s overall Forward-looking performance review. In 2020, the IEU will work on examining the topic of behavioural science and last mile delivery questions through a portfolio assessment. It will also examine the use of machine learning for data recording and analyses so that the IEU is able to automatically scrape new data and have it ready for analyses (using scripts written in Python for example).

8. **Professional development of staff and staff travel:** All IEU team will be expected to attend international evaluation meetings to which they have submitted abstracts and where panels and presentations have been accepted. This is important because being in Songdo also means that there is very little ability for the team to interact with the outside world, learn, inform and be informed by or develop their own skills for advocacy and presentation in professional audiences. Additionally, staff travel is also expected for evaluations that the IEU is undertaking (see below).

9. **Other costs: The IEU will be expected to pay costs for ICT costs.** In the longer run is expected that the IEU and the Secretariat will also draw up a service agreement to reflect the expectation of these costs and the services rendered. One concern for the IEU is the lack of space. Currently with the IEU’s staff and headquarters-based consultants and interns, it is no longer possible to provide conducive working spaces for the IEU Songdo team. The IEU has requested the Secretariat support on this. Having a conducive work space for quiet and team work is necessary for the IEU to continue with its work.

## IEU Objective II: Evaluations

10. The IEU will be expected to deliver another Fund-wide performance Review (FPR-2) in 2022. This means it needs to start planning now and produce sectoral and thematic evaluations that will feed into this overall fund-wide evaluation. In 2020, the IEU will conduct five evaluations in 2020. In 2020, the IEU will focus on examining the relevance and effectiveness of GCF’s investments in SIDS; adaptation; and its multi-year evaluation of project investments oriented to learning-oriented real time impact assessments (LORTA) and do rapid evaluations of the Project Preparation Facility, the Simplified Approval Process and an independent evidence synthesis of accreditation with a view to informing its strategy. Given the importance of being able to stage these evaluations so they are relevant the IEU will stagger these evaluations over 2020 and 2021 (see Timeline table number 4).

11. **An independent evaluation of the relevance and effectiveness of GCF investments in the SIDS.** A disproportionate impact of climate change is likely to be experienced by SIDS countries. Yet, their geographic size and location means that they are the least responsible for many impacts that are being felt today of increasing uncertainty of climate change.

12. It is also clear that for the GCF, it is not useful or correct to use its learning from the rest of the portfolio that is located in the large continents of Africa, Asia, Latin America and Eastern Europe, to the SIDS. GCF’s current investments in SIDS countries is approximately \$830 million and this is reported to affects 122 million people directly and 204 million indirectly. But these are distracting metrics since it is not just the effect on people that will need to be factored into but also of other aspects of the circular economy. To what extent is GCF catering to the special

context of SIDs: small size; disconnected from the world; high travel costs; high number of endemic species; low to medium local institutional and human capacities, dynamic island populations, high cultural value; potential for high demonstration and relatively stable governments and markets. To what extent are GCF investments catering to the high potential for transformation within these economies and the potential for high levels of demonstration? These questions will be answered by the evaluation. This evaluation will be delivered by the last meeting of 2020.

13. **An independent evaluation of the adaptation related investments of the GCF:** The GI mandates that the GCF will invest in mitigation and adaptation in a balanced way. Key findings at the FPR included that although adaptation was being considered in GCF investments, it was clear that the GCF is using traditional forms of investments in this space. There is also strong and clear room for the GCF to show leadership both in terms of understanding the linkages between development and adaptation, in indicators to understand GCF's contributions as well as in the use of modalities and technical expertise in this space. This evaluation will start in March of 2020 but will be delivered on the 31<sup>st</sup> of December of 2020 so that it is ready for presentation at the first meeting of 2021.

14. A rapid assessment of the **Simplified Approval Process:** The Simplified Approval process seeks to provide easier access to the GCF. As of B.23, seven proposals will have been approved by the Board for a total amount of USD 56 million. Is the SAP truly simplified? Does it provide easy access? Is it well suited to the needs of countries and to the size of change that it seeks to bring about? Are the processes commensurate with the overall objectives of this project modality? What can be done to ensure transparency, predictability and speed in SAPs? The rapid assessment of SAP processes will be delivered by the July 2020.

15. **Learning oriented real time impact assessment:** The IEU will continue in its third year of support. As will be shown at B.25 (the Board has requested that a report on this be postponed to B.25) the IEU is currently working with a total of 13 GCF projects to help them set up independent baselines and real-time measurement systems. Analyses of these data are being undertaken by project teams along with IEU experts. In 2020, the IEU will consult the Secretariat and take on board their suggestions for the next group of projects to consider. The IEU will also produce two baseline reports in 2019 and four baseline reports in 2020. The document 'synthesis' will also contain the designs for the overall projects. In 2020, the IEU will host its annual LORTA design workshop and will also (as mentioned above) bring in one impact evaluation analyst and one impact evaluation design/econometrics consultant.

16. **An independent synthesis of the GCF's accreditation process:** The IEU's fifth evaluation will focus on synthesizing objectively the key findings and recommendations for the GCF's accreditation strategy. The accreditation process has been identified as a key bottleneck by several stakeholders: However, many concerns are touted and others need verification. The IEU's independent synthesis review will examine key elements of the accreditation process.

### **IEU Objective III: Capacity building and advisory services**

17. Evidence reviews: The IEU will undertake two evidence reviews in 2020. One will focus on results-based payments and private sector. The IEU will also complete the review of evidence in transformation. The IEU started this review in 2019 but it was delayed because this is a new field and requires new thinking and the team needed to course correct. Fortunately, the IEU was able to recognize that there were quality concerns early on, while providing technical leadership (the review is also being financially supported by CIF evaluation office) and course correct. This enabled the two organizations to bring on experts who could help inform the process before going forward. This work will continue in 2020 and it is expected that preliminary results will be available at the end of 2020. It will also start on scoping work for a review of effectiveness of private sector modalities and their ability to be effective and

equitable. The IEU will also undertake a meta-analysis of financial mechanisms in adaptation with a focus on nature-based solutions and uptake.

18. **LORTA based advice is being provided in terms of designs, indicators, baseline data collection methods and analyses.** This means that the IEU will need to examine how it can best provide this advice to not just project implementers but also to secretariat staff so that this can be mainstreamed into GCF's thinking and so that when the GCF Board does ask for the overall impact of GCF investments, the GCF will have a critical mass of investments (expected at 20-30%) that will be used to measure the overall likely impact of investments. The IEU has hosted several capacity building workshops and will continue to do this in 2020, with participation from secretariat staff, AE staff, Project staff and other global experts.

19. **Advice, last mile delivery and methods papers:** A key requirement for the IEU is ensuring that it is exploring state of the art methods. In 2019, it examined the evidence for adaptation and for forestry. In 2020 it will work on a few methods papers including on machine learning and on incorporating behavioural science methods into practice. It will also assess the portfolio for best practices in this area.

#### **IEU Objective IV: Uptake, communications and partnerships**

20. The IEU has been very active in evaluations but also in producing learning papers and working papers. The IEU's uptake and communication workstream represents its 'last mile' effort to ensure that its data and evidence rich evaluations, research and learning is packaged in a variety of ways to ensure engagement and uptake. The IEU has a rich stream of learning and working papers, all of which are closely connected to the GCF's work and help the IEU to stay ahead of the curve in terms of global state of the art techniques and contribute its reputation as an innovative, rigorous and credible leader in the space of evidence production and evaluation practice. Like all good products, these need to be used. In 2020, the IEU will further strengthen its communication and uptake practice. This will have key elements in it including events and building relationships with key actors; website upgrading, management and development; development of content for easy uptake across a variety of platforms; and engagement across a diverse partnership. The IEU will also bring in its own translators and build a cadre of copy editors and finalize its style guide as well as build a roster of internationally well renowned experts for its learning and working papers. It will continue to produce its annual report and quarterly activity reports.

### **1.3 IEU's Budget for 2020**

21. **The IEU's overall budget for 2020 is presented in Table 1-1.** Output-based budgets are presented in Table 1-2 to 1-5. Its timeline for delivering its outputs is indicated in Table 3. The IEU's budget in 2020 represents a 15% increase over its 2019 budget. The proposed increase is modest considering the expanding IEU's workload as GCF's portfolio grows as well as the inflation rate for 2020.

22. **Clearly the IEU's overall proposed budget is very modest compared to the overall programmatic budget of the GCF.** Assuming that the GCF commits an average of US \$ 2.7 billion annually, this represents only 0.20% of the overall annual programmatic budget of the GCF. It is also important to note that this is well within the proposed percentage that the United Nations Evaluation Group recommends for organizations: they recommend that institutions aim to invest at least 1-2% of their committed budgets annually.

23. Going forward, in 2020 and 2021, it is expected that the IEU's budget will increase. This is warranted because for several reasons: First, the GCF's portfolio is growing. This means that for every evaluation, the IEU's work is growing in a commensurate way (the 'width' of the evaluation is increasing). Indeed, as is best practice globally, evaluation office budgets are linked

with the commitment and portfolio size of the Secretariat (see for example Table 3). Second, the IEU is young and most of its team is just more than a year old. It has set itself a trajectory of growing for three years as noted in previous plans and this will represent the second year of growth. It is assumed that IEU will stabilize its team size in 2022 (See for example Table 5). Third, the team size and budget are warranted for the workplan that has been requested and approved by the Board as part of IEU's approved rolling three-year workplan. While aiming for FPR-2 the IEU is planning for five evaluations in 2020 which is higher than the number it has delivered previously. Fourth, compared to other similar organizations, the IEU's budget remains the least for independent evaluation offices (See for example Table 3).

24. It is important to note that in 2020, the IEU's overall budget will also contain a budget line 'other costs' (an increase in 66.03% over 2019) and the other for staff costs (42.54%). The increase in other costs is occurring because the GCF secretariat has decided to charge the IEU a service cost for every person in the IEU. The proposed 'other cost' includes service costs for staff members in 2019. The IEU is moving, as advised by the Board, from using consultants to work being undertaken by its Songdo team. Staff are more expensive than consultants to an organization (but they bring many benefits, not the least of which is contributing to the strength of an institution, providing it in-house expertise and building an institutional memory.) As the IEU undertakes evaluations, it is clear that there will always be a need for outside expertise so that the IEU is able to stay on top of its practice and methods in different thematic areas. For the IEU's workplan to be delivered in a sustainable manner it is clear that the IEU needs to build capacity of its team.

25. Depending on needs, the IEU may request the additional budget for 2020 at B.26 to cover emerging costs necessary for carrying out this workplan and other costs that might be charged by the Secretariat in 2020.

26. As Table 2 shows, the IEU will be 90%-94% expended on its August budget and expects to be 93% spent by the end of the year. This indicates that the IEU's overall estimates of its needs are extremely well informed.

**Table 1-1: The IEU's proposed budget for 2020 in United States dollars (USD)**

Items	2019 budget	2020 budget	Increase (amount)	Increase (%)
Staff Costs				
Full-time Staff	1,859,000	2,649,897	790,897	42.54%
Consultants	692,200	678,160	-14,040	-2.03%
<b>Sub-total</b>	<b>2,551,200</b>	<b>3,328,3057</b>	<b>776,857</b>	<b>30.45%</b>
<b>Travel</b>				
General	370,000	375,228	5,228	1.41%
<b>Contractual services</b>				
Legal and Professional Services	1,725,000	1,540,000	-185,000	-10.72%
Operating Costs	204,000	338,700	134,700	66.03%
<b>Sub-total</b>	<b>1,929,000</b>	<b>1,878,700</b>	<b>-50,300</b>	<b>-2.61%</b>
<b>2019 TOTAL</b>	<b>4,850,200</b>	<b>5,581,985</b>	<b>731,785</b>	<b>15.09%</b>

**Table 1-2: Output budget for IEU Objective One in United States dollars (USD)**

<b>Building IEU</b>	<b>675,060</b>
Full-time Staff	303,536
Consultants	87,240
Travel	50,584
Professional Services	110,000
Other Operating Costs	123,700

**Table 1-3: Output budget for IEU Objective Two in United States dollars (USD)**

<b>Evaluations</b>	<b>2,561,973</b>
Full-time Staff	992,239
Consultants	209,190
Travel	120,544
Professional Services	1,080,000
Other Operating Costs	160,000

**Table 1-4: Output based budget for IEU Objective Three in United States dollars (USD)**

<b>Capacity Building and Evidence-based advisory services</b>	<b>1,488,317</b>
Full-time Staff	768,887
Consultants	229,330
Travel	85,100
Professional Services	350,000
Other Operating Costs	55,000

**Table 1-5: Output budget for IEU Objective Four**

<b>Communications, uptake and partnerships</b>	<b>856,635</b>
Full-time Staff	585,235
Consultants	152,400
Travel	119,000
Professional Services	0
Other Operating Costs	0

**Table 2: IEU's budget and spend for 2019 in United States dollars (USD)(as of August 2019)**

Items	2019 budget	Actual	Commitment	Sub-total	%	Remaining Budget
<b>Staff Costs</b>						
Full-time Staff	1,859,000	1,029,127	668,802	1,697,929	<b>91%</b>	161,071
Consultants	692,200	480,821	177,620	658,441	<b>95%</b>	33,759
<b>Sub-total</b>	<b>2,551,200</b>	<b>1,509,948</b>	<b>846,422</b>	<b>2,356,370</b>	<b>92%</b>	<b>194,830</b>
Travel	370,000	215,878	38,564	254,442	<b>69%</b>	115,558
<b>Professional services</b>						
Legal and professional services	1,725,000	875,487	831,943	1,707,430	<b>99%</b>	17,571
Operating Costs	204,000	55,653	39	55,692	<b>27%</b>	148,308
<b>Sub-total</b>	<b>1,929,000</b>	<b>931,139</b>	<b>831,982</b>	<b>1,763,121</b>	<b>91%</b>	<b>165,879</b>
<b>Grand TOTAL</b>	<b>4,850,200</b>	<b>2,656,966</b>	<b>1,716,968</b>	<b>4,373,934</b>	<b>90%</b>	<b>476,266</b>

**Table 3: Annual budgets of other independent evaluation offices (2018 - 2019)**

	<b>UNDP IEO</b>	<b>WFP IEO</b>	<b>GEF IEO</b>	<b>IFAD OEV</b>	<b>WBG IEG</b>	<b>GCF IEU</b>
<b>ANNUAL BUDGET (USD)</b>	In 2019, USD 10 million	USD 12.1 million in 2019	USD 6.5 million in FY 2019	USD 6.4 million for 2018	USD 38.09 million for FY 2019	Proposed USD 5.58 million
<b>BUDGET RELATED RULES</b>	In total, the budget for the evaluation function should reach 1%. IEO budget should not be less than 0.2% of combined programmatic (core, non-core) resources.	The WFP has the target of allocating 0.8% of its total contribution income to the evaluation function.	It corresponds to 22% of the overall annual operational budget or 0.5% of the GEF's annual financial work plan (excludes monitoring).	It corresponds to 0.6% of program loans and grants and it is capped at 0.9%.	Determined on the basis of the World Bank work plan, at about 1% or below the Net Administrative BB Budget for all three institutions (WB, IFC, and MIGA).	0.20% of GCF's average programme budget.

**Table 4: Time plan for deliverables, IEU budget and work plan for 2020**

Activities	Main outputs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>I IEU OFFICE</b>													
1 IEU staffing	IEU recruitment completed												
2 Updated IEU reports	Engagement & final report												
3 Evaluation Guidelines and procedures	Guidelines and Procedures for approval												
<b>II UNDERTAKE AND DELIVER HIGH-QUALITY EVALUATIONS TO THE GCF BOARD</b>													
4 Relevance and Effectiveness of GCF investment in SIDS	Engagement & final report												
5 Evaluation of Adaptation related investments	Engagement & final report												
6 Rapid assesment of SAP	Engagement & final report												
7 LORTA	Report from baseline data												
<b>III EVALUATION-BASED ADVISORY SERVICES, LEARNING &amp; CAPACITY STRENGTHENING</b>													
8 LORTA related advice	Tracking systems built												
9 Capacity Building Advisory services	Behaviour Science/ Innovation hub												
10 Database development	GIS data and data lab												
<b>IV COMMUNICATIONS, BUILDING STRATEGIC PARTNERSHIPS AND ENGAGEMENT</b>													
11 Evaluation findings uptake	Engagement, products and engagment												
12 IEU partnerships	Engagement & joint work												
13 IEU Communications	Wbsite												
14 EGM papers	Private sector/RBPs												

**Table 5: IEU Approved and Proposed staffing schedule (2019-2022)**

IEU	2019	2020*	2021*	2022*
<b>Staff (professional and administrative)</b>	13	16	22	25
<b>HQ Consultants</b>	11	10	8	5
<b>Interns</b>	5	4-5	5	5

**Table 6: Evaluations submitted and proposed by the IEU (2019-2020)**

YEAR	EVALUATIONS SUBMITTED TO THE GCF BOARD	FOLLOW UP SECRETARIAT RESPONSE EXPECTED BY
<b>2019</b>	1. Independent assessment of the GCF's Results Framework system (B.22)	<ul style="list-style-type: none"> <li>• Management response at B.22</li> <li>• Key action expected by B.23 and now B.25.</li> <li>• IEU action review B.25</li> </ul>
	2. Independent evaluation of the GCF's Readiness and Preparatory Support Programme (B.22)	<ul style="list-style-type: none"> <li>• Management response at B.22</li> <li>• Readiness strategy presented at B.22</li> <li>• Update on strategy (TBD)</li> <li>• IEU action review (TBD)</li> </ul>
	3. The Forward-Looking performance review of the GCF (B.23)	<ul style="list-style-type: none"> <li>• Management response expected at B.24</li> <li>• Secretariat Action Report expected in B.28.</li> <li>• IEU action review B.28</li> </ul>
	4. ** Independent evaluation of the Country ownership of the GCF	<ul style="list-style-type: none"> <li>• Management response to be presented at B.24</li> <li>• Action Report expected at B.28</li> <li>• IEU action review B.28</li> </ul>
<b>** 2020 (PLANNED)</b>	1. Independent assessment of the Environmental and social safeguards system of the GCF (B.25)	<ul style="list-style-type: none"> <li>• Management response at B.25</li> <li>• Action response at B.29</li> <li>• IEU action review B.29</li> </ul>
	2. Learning oriented real-time impact assessment (Six baseline reports) (B.28)	<ul style="list-style-type: none"> <li>• TBD</li> </ul>
	3. An independent assessment of the GCF's adaptation related investments (B.27)	<ul style="list-style-type: none"> <li>• TBD</li> </ul>
	4. How effective is the GCF in the SIDS? (End of 2020)	<ul style="list-style-type: none"> <li>• TBD</li> </ul>
	5. An independent synthesis of GCF's accreditation process: what can a strategy find useful? (End of 2020)	<ul style="list-style-type: none"> <li>• TBD</li> </ul>
	6. Rapid assessment of the GCF's Simplified Approval Process (B.26).	<ul style="list-style-type: none"> <li>• TBD</li> </ul>

## Annex VIII: The IEU's Three-Year Objectives and Work Plan (2020-2023)

1. Following the decision by the Board, this annex presents modifications as necessary, of the IEU's rolling three-year work plan and budget. Since the presentation of the evaluation policy of the Fund has been postponed to B.22, there are no major modifications to the three-year work plan and budget.<sup>1</sup> Some minor changes in the three-year work plan are noted as follows:

(a) Modification: There are no modifications expected so far.

2. To summarize, the overall objectives of the IEU are derived from the Governing Instrument and include:<sup>2</sup>

- (i) Informing the decision-making of the Board, identifying and disseminating lessons learned, contributing to guiding the Fund and stakeholders as a learning institution, and providing strategic guidance;
- (ii) Conducting periodic independent evaluations of the Fund's performance to provide an objective assessment of the Fund's results and the effectiveness and efficiency of its activities; and
- (iii) Providing evaluation reports to the Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) for purposes of periodic reviews of the financial mechanism of the Convention.

3. The IEU's principal aims for the period 2017-2020 are summarized below. Objectives and activities associated with these aims are summarized in Table 7.

(a) **Build the IEU and complete staffing:** An important objective for the IEU is to ensure that the IEU is adequately staffed so that it can deliver its work plan, including its overall learning and accountability objectives. IEU staff will reflect the best standards in evaluative training, practice, theory and ethics. The IEU will be a well-managed unit. The IEU will also ensure that its vision and practices are adequately shared, internally and externally, and that the IEU's strategy, independent evaluation policy and procedures for functioning and governance are properly articulated (see annex III).

(b) **Undertake and deliver high quality evaluations:** The IEU will undertake strategic high-quality performance, portfolio, thematic, country, programmatic and project evaluations identified by the IEU and useful for the Board, GCF Secretariat and the COP.<sup>3,4</sup> They will also serve as building blocks for fund-level evaluations that assess the effectiveness and efficiency of the GCF and contribute to the replenishment process. The IEU will deliver at least four evaluations per year. It will also review the use of the GCF's results-based framework and performance framework and provide recommendations to the Board. It will also support a Learning-Oriented Real-Time Impact Assessment (LORTA) window to support real-time learning within the GCF through real-time assessments.<sup>5</sup>

(a) **Build and deliver an evaluation-based learning, advisory and capacity strengthening program:**<sup>6</sup> The IEU's evaluation-based learning and capacity building program will respond to evaluation-related capacity needs of the GCF Board, Secretariat,

<sup>1</sup> Once the Evaluation policy is approved, the IEU will present a revised and updated three-year work plan.

<sup>2</sup> Also, see Decision document GCF/B.06/Annex III

<sup>3</sup> Decision B.06/09/Annex III

<sup>4</sup> Decision B.06/09/Annex III

<sup>5</sup> Decision B.06/09/Annex III

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

Accredited Entities (AEs), Nationally Designated Agencies (NDAs), and other stakeholders in the evaluation and climate change space.<sup>7</sup> The IEU will work towards ensuring that programs and activities funded by the GCF maintain sufficient quality in terms of data, design and information to inform evaluations.

- (b) **Engage strategically to learn, share and adopt best practices in the climate change evaluation space:** The IEU will engage with key actors in the evaluation space and be at the forefront of evaluation practice and theory while collaborating with stakeholders of the GCF and involving them in the IEU's activities.<sup>8</sup> It will adopt high quality methods and standards for evaluative evidence in the climate change space. Accordingly, it will continue to build and strengthen partnerships, as it has in 2018, to leverage geographic presence, thematic expertise, and capacities to help with the IEU's other objectives in the context of capacity building, particularly with GCF partners, AEs, NDAs and focal points as well as other evaluation-related staff in partner organizations. This will also contribute to building the IEU's niche and its reputation as a leader in evaluation and learning, which is synonymous with quality and credibility.

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

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

**Table 7: Aims, Objectives and Key Outputs of the IEU’s Rolling Three-Year Work Plan (applicable 2018-2020)**

NO.	AIM	OBJECTIVES	OUTPUTS
1.		<b>Strengthen the IEU and complete staffing<sup>1</sup></b>	
		1a. Ensure that the IEU is completely staffed to meet its objectives of accountability and learning <sup>2</sup>	<ul style="list-style-type: none"> <li>• The IEU will be fully staffed with an emphasis on building high quality evaluation and thematic capacity.</li> <li>• Terms of reference for the IEU’s four work streams will be widely disseminated and high functioning staff will be hired competitively at the IEU.<sup>3</sup></li> <li>• The IEU will be well-managed and personal performance and professional development plans for all IEU staff will be articulated.</li> <li>• An orientation package for new staff including processes and procedures will be piloted and finalized.</li> </ul>
		1b. IEU’s policies and standards are well-articulated and understood	<ul style="list-style-type: none"> <li>• An Evaluation Policy will be produced.</li> <li>• Guidelines and standards will be developed to reflect the policy.</li> <li>• Awareness will be generated among GCF staff and NDAs, AEs and others to ensure this policy and set of guidelines and standards are properly applied.</li> </ul>
		1c. Procedures and guidelines for the effective operation of the IEU are specified and IEU budgets and work plans are approved in a timely manner	<ul style="list-style-type: none"> <li>• The IEU’s vision and strategy will be finalized and shared with all IEU staff.</li> <li>• The IEU’s governance guidelines and procedures to ensure the independence and effective functioning and operation of the IEU, in keeping with international best practices, will be submitted to the GCF Board and updated as required.<sup>4</sup></li> <li>• A rolling three-year plan, budget and an annual work plan will be presented every year to ensure certainty in planning and delivering high quality evaluations.<sup>5</sup></li> <li>• An IEU annual report will be produced and disseminated every year, commencing in 2018.<sup>6</sup></li> </ul>
2.		<b>Undertake and deliver high-quality evaluations to the GCF Board</b>	

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

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

<sup>3</sup> Decision B.16/07

<sup>4</sup> GCF/B.06/Annex III

<sup>5</sup> GCF/B.06/Annex III

<sup>6</sup> B.06/09/Annex III

NO.	AIM	OBJECTIVES	OUTPUTS
		2a. Carry out strategic high-quality performance, portfolio, thematic, country, programmatic and project evaluations annually that are useful to the Board, the GCF Secretariat and the Conference of Parties and are able to provide an independent assessment of the Fund's operations <sup>7</sup>	<ul style="list-style-type: none"> <li>• The IEU will carry out at least four evaluations annually, depending on direction from the GCF Board. Other evaluations may also be identified depending on the accountability and learning needs of the GCF Board.</li> </ul>
		2b. Undertake high quality <i>overall</i> performance evaluations of the GCF including (but not restricted to) an overall assessment of results, efficiency and effectiveness to inform the replenishment process <sup>8</sup>	<ul style="list-style-type: none"> <li>• The IEU will undertake overall performance evaluations as required by its TORs.<sup>9</sup></li> <li>• The IEU will also deliver the following at a date determined by the GCF Board:               <ol style="list-style-type: none"> <li>(1) Provide evaluation reports to the Conference of Parties to the United Nations Framework Convention on Climate Change and the Paris Agreement for the purposes of periodic review of the Financial Mechanism of the Convention.<sup>10</sup></li> <li>(2) Overall assessment of the Fund's results and the effectiveness and efficiency of its activities.<sup>11</sup></li> </ol> </li> </ul>
		2c. Review the results management and performance measurement framework and prepare a real-time learning-oriented impact evaluation project portfolio	<ul style="list-style-type: none"> <li>• The IEU will provide recommendations based on international evidence and best practices for improving the GCF's results management framework and performance measurement framework.<sup>12</sup></li> <li>• The IEU will support a real-time impact assessment (LORTA) window that will promote measurement of results and learning in real-time. In the pilot window, the IEU will work with 4-6 projects that can effectively demonstrate this learning which will provide insights to the Secretariat in real time.</li> </ul>

<sup>7</sup> Decision B.06/09/Annex III

<sup>8</sup> Decision B.06/09/Annex III

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

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

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

<sup>12</sup> GCF/B.06/Annex III

NO.	AIM	OBJECTIVES	OUTPUTS
3.		<p><b>Build and deliver an evaluation-based learning, advisory and capacity strengthening program</b></p>	<ul style="list-style-type: none"> <li>• [NEW] In 2019, the IEU will support six additional projects in 2019 under LORTA to help approved projects measure their impacts and changes resulting from GCF investments and help them to measure the changes rigorously.</li> </ul>
		<p>3a. Ensure programs and activities funded by the GCF maintain sufficient quality in terms of data, design and information to inform evaluations</p>	<ul style="list-style-type: none"> <li>• The IEU will build awareness on the uses of evaluations and strengthen appropriate systems/institutional and human capacity for evaluative evidence and evidence-based policies.</li> <li>• The IEU will build and deliver customized workshops and disseminate products to ensure learning and uptake for this objective. The IEU will work closely with appropriate GCF staff, accredited entities, and other stakeholders in this regard.</li> <li>• The IEU will provide evidence-based recommendations on projects/programs of activities to improve the ability of the IEU to provide quality evaluations of the Fund's activities. It will also work to ensure that they are reflected in funded activities, agreements and proposals.<sup>13</sup></li> <li>• Through LORTA, the IEU will support high quality data and assessments which will enable the GCF and its stakeholders to learn about and generate high-quality, credible evaluations that <i>measure attributable change</i> in GCF result areas.</li> <li>• The IEU will deliver a plan for capacity building and learning through evaluations at B.23 (<del>B.21</del>).</li> </ul>
		<p>3b. Synthesize evaluative evidence from international experience and GCF-related evaluations to benchmark and inform evaluations in GCF result areas, inform results and performance frameworks and help prioritize evaluations and evaluation-related research using state-of-the-art methods<sup>14</sup></p>	<ul style="list-style-type: none"> <li>• The IEU will build a database of evaluative evidence and synthesize learning through evidence gap maps and systematic reviews.</li> <li>• The IEU will support systematic reviews and meta-syntheses of evaluative evidence relevant to GCF result areas.</li> </ul>

<sup>13</sup> B.06/09/Annex III

<sup>14</sup> Decision B.10/05/Annex V/ 14 and 15

NO.	AIM	OBJECTIVES	OUTPUTS
		3c. Provide inputs to improve the results-based framework and performance framework of the GCF <sup>15</sup>	<ul style="list-style-type: none"> <li>• The IEU will conduct retrospective theories of change exercises to inform the results framework and performance measurement framework of the GCF as well as the evaluation policy.</li> <li>• The IEU will provide evidence-based recommendations by analysing reporting templates and engage with accredited entities and other stakeholders to provide evidence-based recommendations on designs to ensure high quality, credible reporting and evaluations.</li> <li>• The IEU will develop state-of-the-art methods to inform and build evaluations led by the IEU. To this end, it will review international best practices in policy evaluation, methods and indicators and use them to attest and benchmark the quality of GCF self-evaluations conducted by the Secretariat and provide recommendations for the results management framework and performance measurement framework.<sup>16</sup></li> </ul>
		3d. Build capacity for undertaking evaluations, understanding standards and methods, within the Secretariat and GCF stakeholders, and use innovative ways to ensure this <sup>17</sup>	<ul style="list-style-type: none"> <li>• The IEU will build innovative products to ensure learning and the uptake of evaluative evidence. Accordingly, the IEU will train, share and build capacity for undertaking evaluations within the Secretariat and collaborate to build capacity and awareness within AEs and NDAs.</li> <li>• The IEU will build customized workshops, engage with other agencies and trainers to develop training modules and matchmake teams for programmatic and project evaluations.</li> <li>• The IEU will create training modules and train GCF stakeholder staff including staff from intermediary agencies to bring them up to speed on state-of-the art methods to evaluate the Fund's activities.</li> <li>• The IEU will also collaborate with universities and other agencies to develop these customized courses.</li> </ul>

<sup>15</sup> Decision B.06/09/Annex III

<sup>16</sup> Annex III to decision B.06/09

<sup>17</sup> Decision B.06/09/Annex III/ 21, 23

NO.	AIM	OBJECTIVES	OUTPUTS
		3e. The IEU will be at the forefront of methods and climate science and establish the IEU as a global leader in the field <sup>18</sup>	<ul style="list-style-type: none"> <li>The IEU will support methods-related work relevant to the GCF's result areas and evaluations that harness complexity science and new measurement methods. This includes commissioning methods papers, briefs and reviews, supporting knowledge hubs and supporting relevant conferences, workshops, methods labs and learning clinics.<sup>19</sup></li> </ul>
4.		4a. The IEU will increase its engagement with key actors in the international evaluation space and collaborate with GCF partners, accredited entities, NDAs and focal points and staff in partner organizations to leverage their presence and capacities to help with the IEU's other objectives	<p><b>Engage strategically to learn, share and adopt best practices in the climate change evaluation space</b></p> <ul style="list-style-type: none"> <li>The IEU will use international engagements to deliver customized awareness building workshops on evaluation vision and techniques, showcasing high quality evaluation methods and standards to GCF stakeholders.</li> <li>The IEU will develop communication products conveying the key messages from evaluations.</li> <li>The IEU will establish formal partnership agreements with networks and organizations to leverage their presence for capacity building among GCF stakeholders.</li> </ul>

<sup>18</sup> Decision B.10/05/Annex V/8

<sup>19</sup> GCF/B.05/03/ Annex I

## Annex IX: Workplan and Budget of the Independent Integrity Unit for 2020

### I. Context

1. The Independent Integrity Unit (IIU) was established by the Board of the GCF under the authority of Article 69 of the Governing Instrument, with a detailed Terms of Reference (ToR).<sup>1</sup> The IIU commenced operations in November 2016 and has executed its mandate based on the workplans and budgets approved by the Board in 2017, 2018 and 2019.
2. The IIU was created as an independent unit under the authority of the Board to provide integrity oversight and support to the Secretariat in establishing safeguards to ensure accountability in the use of GCF resources. The vision of the Unit has therefore been (in line with the ToR) to support the achievement of the objectives of the GCF by working closely with the Secretariat to formulate strategies, policies and activities to safeguard GCF resources, prevent the occurrence of integrity violations, and to investigate any violations that occur.
3. The end of the first three-year term of the IIU presents an opportune moment to reflect on the achievements over this initial three-year phase and to design a strategic plan for accomplishing the objectives of the Unit over the next three years. An IIU Strategic Plan 2019-2022 is scheduled to be elaborated during the fourth quarter of 2019.

### II. Review of 2019 workplan and achievements

4. Three-year 2017-2019 strategy: In reviewing the work of the IIU in 2019, cognisance is taken of the fact that the workplan represented the third part of a three-year plan to complete the integrity policy framework of the GCF, enhance its investigative capacity, as well as to consolidate the Unit in terms of its existence as a functioning arm of the Board providing critical oversight and complementing the accountability structures of the Secretariat.
5. Recent important milestones: The arrival of the new Executive Director, Mr. Yannick Glemarec, offered an opportunity to reinvigorate the relationship between the Secretariat and the IIU, and to agree a strategic framework for collaboration. The onboarding of the Senior Ethics Advisor also represented an important milestone in the Secretariat's fulfilment of its responsibilities within the COSO accountability framework. The IIU is working closely with the Senior Ethics Advisor to identify opportunities for complementarity.
6. Completion of the GCF integrity policy framework: The IIU workplan and budget for 2019 were approved by the Board at its twenty-first meeting. The workplan focused the Unit on completing the GCF integrity policy framework, which culminated in the adoption by the Board of three key integrity policies and implementation procedures:
  - (a) Standards for the Implementation of the Anti-Money Laundering and Financing of Terrorism Policy;
  - (b) Updated Policy on Prohibited Practices; and
  - (c) Policy on the Protection and Prevention from Sexual Exploitation, Sexual Abuse and Sexual Harassment.

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<sup>1</sup> Terms of Reference of the Independent Integrity Unit.

7. The IIU worked closely with the Ethics and Audit Committee of the Board and the Secretariat in developing these policies and provided advisories on policy implementation issues and other integrity-related matters.
8. Development of guidelines for integrity issues: The 2019 workplan also required the IIU to develop administrative guidelines on the implementation of the GCF policies on ethics and conflicts of interest for Board-appointed officials, external panels and committees, and personnel of independent units. These guidelines are an essential guide on the procedures for declarations of interest and conflicts of interest by covered individuals. The IIU developed the guidelines in consultation with the Secretariat and submitted them for the endorsement of the Ethics and Audit Committee. The guidelines are now in force and are being consulted by the relevant personnel.
9. Proactive integrity risk assessments: The IIU proposed in its workplan for the year under review to establish a system of proactive interventions to monitor the accountable use of GCF resources, and to detect any indicators of misuse, fraud and corruption. As a means to commence proactive oversight of the GCF funded projects and programs (in line with its workplan), the IIU has developed methodologies to conduct Proactive Integrity Reviews (PIRs) based on international best practices. In developing these methodologies, the IIU consulted extensively with the European Investment Bank (EIB), World Food Programme (WFP) and Asian Development Bank (ADB), all of whom have established advanced models for implementing proactive systems for project oversight. Based on these consultations, the IIU has designed a PIR model which combines both a statistical and descriptive approach and entails a two-tier approach of risk assessment and physical review of projects and programs based on an established risk rating.
10. Awareness-raising and capacity building support: The IIU has developed a communication strategy to promote effective messaging. The strategy seeks to encourage a positive understanding of the GCF Integrity Framework, support the embedding of accountability safeguards in GCF operations, and foster a culture of integrity across the GCF. Further to this, the IIU initiated a number of awareness-raising activities during the reporting period. Some of these activities are already being conducted while others are being planned for implementation later in 2019:
  - (a) Ahead of the twenty-second meeting of the Board in February 2019, IIU hosted an information session on the GCF integrity standards for staff, Board members, alternates and their advisors. The session was well-attended and provided an opportunity for information sharing and cross-learning;
  - (b) The GCF Integrity Forum scheduled to hold in December 2019 is planned to provide capacity building support to accredited entities (AEs) in addressing emerging integrity issues in climate finance and to optimize implementation of GCF integrity policies. It is also proposed to establish a platform for climate finance institutions to identify common challenges and agree common standards; and
  - (c) The IIU has also designed a poster campaign which essentially comprises the publication of a series of outreach materials to enhance understanding on GCF integrity standards amongst GCF staff and other stakeholders.
11. Investigation: The IIU received multiple complaints mainly in relation to staff misconduct in the period under review. Full assessments and investigations were conducted in a timely manner to mitigate potential reputational and financial risks to the GCF. Furthermore, during the reporting period, the IIU witnessed a significant increase in reports relating to GCF-funded activities:

## Investigation statistics (as at 30 September 2019)

**Table 1: Reports received by the IIU**

<b>Reports of suspected wrongdoing</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Reports submitted to the IIU	1	9	19	30
Reports closed after preliminary assessment	0	5	2	16

**Table 2: Investigative activities by the IIU**

<b>Investigations</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Investigations opened	1	4	6	4
Investigations suspended	0	1	0	0
Investigations carried forward to next period	1	2	4	4
Cases with finalized main investigative activities	3*	2	3	2
Cases closed with reports submitted to appropriate bodies	3*	0	3	2

\*Investigations conducted by Internal Audit prior to the establishment of the IIU

**Table 3: Type of reports received by the IIU**

<b>Type of reports</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Project-related reports</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>4</b>
Fraud	0	1	2	1
Corruption	0	0	1	2
Collusion	0	1	0	1
<b>Staff misconduct</b>	<b>1</b>	<b>4</b>	<b>13</b>	<b>17</b>
Abuse*	0	1	4	6
SEAH	1	0	1	2
Harassment	0	1	3	4
Fraud	0	1	0	1
Collusion	0	1	0	1
Retaliation against whistleblowers and witnesses	0	0	1	0
Conflict of interest	0	0	4	3
<b>Non-integrity violation</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>9</b>
<b>Total</b>	<b>1</b>	<b>9</b>	<b>19</b>	<b>30</b>

\* Includes abuse of office, abuse of power and abuse of resources.

12. Given IIU's complementary investigation functions as defined in the Accreditation Master Agreements (AMAs), IIU managed challenges in project-related complaints in the following manner:
  - (a) Enhanced cooperation and consultation with AEs on integrity matters including information-sharing, undertaking joint investigations and collaborations;
  - (b) The Unit provided briefs on project-related complaints to the Executive Director to ensure smooth cooperation between the IIU and the Secretariat in conducting or following the investigations conducted by AEs;
  - (c) The IIU refined its investigation workflow and procedures, and currently is in the process of finalizing the Investigation Standards to ensure quality and consistent investigations across the Fund; and
  - (d) The IIU improved the existing case management system by introducing new tools for collaborative work on investigations and task management.
13. Staffing and Recruitment: Regarding staffing, there has been a significant increase in the number of staff with five positions filled in both the prevention and investigation workstreams. The recruitment processes for the Lead Investigator and IT Forensic Investigator positions were completed in July and offers were made shortly after to the successful candidates. After contract negotiation both offers were accepted, and the staff members are expected to onboard in December and October 2019 respectively. The Integrity and Compliance Officer onboarded in August 2019, while two Junior Investigators joined the team in April 2019.
14. Enhanced capacity: The recruitment of these new staff members represents a significant enhancement of the capacity of IIU to effectively achieve its 2020 workplan and beyond. It also creates the prospect for greater ambition in terms of developing and implementing new proactive initiatives, and in extending investigative support to GCF's Direct Access Entities (DAEs).
15. Reporting: As mandated by the Board, and in accordance with Article 2 of the IIU ToR which requires the Unit to "report to the Board directly or through the Ethics and Audit Committee", the IIU has consulted with the EAC on the implementation of the 2019 workplan, and has reported on its activities to the EAC on a quarterly basis.
16. Budget utilization: While fully achieving its workplan, projecting to year-end 2019 IIU would have underspent its approved budget by about 50%. This low rate of budget utilization is largely due to the following reasons:
  - (a) Significant delays in the completion of the recruitment process resulting in shortfalls in staff headcount, particularly at the senior level. While it was projected that the Lead Investigator would be onboard by mid-year at the latest, the recruitment process was only finalised in July due to delays in scheduling the availability of external selection panel members from the UN Office of Internal Oversight Services and the European Investment Bank. The selected candidate has now requested a start date towards the end of the year. The IT Forensic Investigator will also only be onboarding at the end of October; and
  - (b) As a result of recruitment delays there has been a concomitant reduction in expenditure on the travel and the ICT infrastructure budget line items. These budget items would be impacted by the onboarding of new staff, particularly as ICT purchases will be led by the IT Forensic Investigator.

### III. Workplan for 2020

17. 2020 represents the first year of IIU's second three-year term. This coincides with both the upscaling of GCF project implementation and disbursements, as well as the GCF first replenishment process. It is therefore the vision of IIU to position itself in knowledge, capacity and resources to deliver effective oversight that would support the Secretariat in the achievement of its strategic plan.

18. Building on the work of previous years, the key priorities for 2020 are as follows:

- (a) Upscale investigative responses in line with increasing project disbursements;
- (b) Establishment of the GCF administrative remedies and exclusions framework;
- (c) Monitoring the implementation of integrity policies;
- (d) Proactive integrity risk assessments and project/program reviews;
- (e) Technical support and assistance for accredited entities; and
- (f) Awareness-raising and training.

#### 3.1 Upscale investigative responses with increasing project disbursements

19. It is anticipated that by the beginning of 2020, there will be 78 GCF-funded projects under implementation in different regions. This represents a considerable increase in GCF operations that implicates a substantial outflow of GCF funds. It concomitantly creates an obligation on the IIU to ensure the accountable use of the funds by applying appropriate proactive and reactive responses to any risks of integrity violations. An increase in disbursements results in an increased likelihood of financial loss and/or reputational damage through the commission of integrity violations. It is therefore important that the IIU is sufficiently prepared to prevent and respond to integrity violations and to conduct investigations where required.

#### 3.2 Establishment of the GCF administrative remedies framework

##### 3.2.1 Development of the Policy on Administrative Remedies

20. To give effect to obligations set out in the Policy on Prohibited Practices (decision B.22/19) and as mandated by the Terms of Reference of the Head of the Unit and by decision B.22/19, paragraph (b), the IIU aims to present to the Board a Policy on Administrative Remedies and Exclusions in early 2020. The Policy elaborates a range of administrative remedies based on the principles stipulated in the Policy on Prohibited Practices. Additionally, it defines a GCF exclusions system that requires the creation of a two-tier regime for the review of investigation outcomes and the imposition of exclusions which serve primarily to enforce compliance with GCF integrity standards, and ultimately to exclude grave defaulters as a means of safeguarding GCF finances and reputation.

##### 3.2.2 Integrity compliance

21. Following the establishment of an exclusions regime, the IIU will work with excluded entities to ensure that they meet the required integrity standards. The IIU will monitor the implementation of integrity compliance programmes which will be a principal condition for

determining a debarment period (or a conditional non-debarment), or in case of existing debarments, early termination of debarment. In determining whether a sanctioned entity has met its conditions for release, the IIU will assess whether it has put in place integrity compliance-related controls that:

- (a) Are tailored to its risks and profile;
- (b) Are consistent with the principles set out in the IIU Integrity Compliance Guidelines<sup>2</sup>; and
- (c) Have a demonstrated record of implementation.

### 3.3 Monitoring the implementation of integrity policies

#### 3.3.1 Establishing the AML/CFT monitoring system

22. Subsequent to the adoption of the AML/CFT Policy, the procedures for the implementation of the AML/CFT Policy were also approved by the Board at B23. The Policy is in the process of being implemented by the Secretariat. The IIU has responsibility under the Policy to monitor its implementation in accordance with the Standards approved by the Board. In fulfilment of this obligation, the IIU proposes to formally establish and strengthen an effective due diligence process to prevent and combat the risk of the occurrence of money laundering and financing of terrorism in any GCF activities.

23. The IIU will closely monitor the implementation of the AML/ CFT policy by engaging with the Secretariat to ensure that Covered Individuals and Counterparties have appropriate procedures and mechanisms in place to effectively address ML/ FT risks. It will also ensure that the implementation of the AML/CFT Policy reflecting international best practices, consistent with evolving FATF recommendations and changing requirements and proposes appropriate actions in line with those changes.

#### 3.3.2 Monitoring responsibilities defined by various integrity policies

24. With a successful establishment of the GCF integrity policy framework in the first three years' of the Unit's operation, the Unit was assigned monitoring responsibilities to ensure overall effective implementation of the policies and standards. As one of the priorities for 2020, the IIU is committed to identify and fulfil its monitoring obligations defined by each policy following a risk-based approach and through regular engagement with the Secretariat, establishment of working groups and reporting to the Board. Based on the review of the policy implementation, the IIU also aims to recommend improvements to policies and controls to mitigate opportunities for policy violations.

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<sup>2</sup> 'Integrity Compliance Guidelines' incorporates the standards, principles, and components recognized as good governance and anti-fraud and anti-corruption practices. These guidelines are directed principally at the sanctioned entities. It serves as a roadmap to help these entities to address integrity loopholes at the corporate level that encouraged the prohibited practices/ SEAH to occur. This programme will be tailor-made for the particular entity based on the prohibited/ SEAH practices identified. The overall objectives of this programme are to encourage the entities to implement appropriate controls and procedures/mechanisms in order to contain future occurrence of related malpractices. The IIU will engage with the sanctioned entities to ensure that they implement robust systems in order to ensure that they effectively address integrity risks.

## 3.4 Proactive integrity risk assessments and project/program reviews

### 3.4.1 Data-driven integrity risk assessment

25. As part of its prevention strategy, and as mandated by the Policy on Prohibited Practices and Board-approved workplans, the IIU will be conducting proactive reviews of ongoing projects and programmes to ensure that the funds are used for their intended purposes and to detect, at an early stage, the occurrence of Prohibited Practices or integrity red flags in GCF-funded activities. In 2019, benchmarking other international best practices such as European Investment Bank's and Asia Development Bank's, the IIU established its own data-driven risk-based Proactive Integrity Review (PIR) methodology. One of its two main components is a comprehensive risk assessment module that aims to capture and rate organizational and project-related integrity risks across numerous criteria, by analysing project related data available within and outside the GCF. The risk assessment conducted in the first phase enables an intelligence-led selection of projects/programmes for review from an integrity risk perspective. Furthermore, the methodology will enable descriptive and predictive analysis capabilities that identify trends and probabilities for deviations from GCF integrity standards.

### 3.4.2 Proactive Integrity Review

26. The second part of the PIR process is the conduct of in-depth desktop and on-site integrity reviews of projects or programs. The review focuses on assessing the project/program's vulnerability to Prohibited Practices, identifying areas of high risks and recommending mitigating measures if necessary.

### 3.4.3 GiS integrity hotspot-mapping

27. The integrity risk assessment component of the PIR mentioned above will be implemented on a data visualization software which enables geo-spatial mapping of GCF fund flows across its recipient countries and entities. These geo-spatial maps will be overlain with data on potential integrity risks.

- (a) Expected output: The geographic information system (GiS) would initially generate a baseline GiS map of integrity hotspots which are determined on the basis of pre-selected, objective criteria such as adverse audit findings, adverse Integrity Due Diligence reports adverse performance reports, adverse investigation findings, and findings of non-compliance. This baseline map will be updated real-time with actual data derived from project audits, performance reports, evaluation reports, investigation reports and proactive integrity reviews.
- (b) Utility: The maps will be displayed with a colour-coded scheme reflecting the integrity rating of entities and countries, based on the pre-determined objective criteria enumerated above. This will determine IIU intervention priorities for preventative initiatives, as well as for both proactive and reactive investigations.

## 3.5 Technical support and assistance for accredited entities

### 3.5.1 Capacity building support for accredited entities

28. To continue the initiative from the previous year's inaugural GCF Integrity Forum, the IIU aims to strengthen the capacities of accredited entities for effective implementation of GCF projects and integrity policies by helping to address emerging integrity issues in climate finance. This will be achieved through best practice sharing and establishing practical strategies and

alliances for sustained mutual support and engagement among accredited entities with enhanced support for direct access entities.

### **3.5.2 Annual GCF Integrity Forum**

29. The annual GCF Integrity Forum provides a platform for accredited entities to exchange best practices and develop peer learning alliances across GCF accredited entities with the following expected outcomes:

- (a) Accredited entity integrity capacity assessment and identification of strengths and weaknesses with enhanced support for direct access entities;
- (b) Development of capacity building strategy and workplan including mapping of integrity learning resources;
- (c) Establishment of steering committees to enable strategic development; and
- (d) Compilation of integrity best practices on topical issues.

## **3.6 Awareness raising and training**

### **3.6.1 Promote awareness of GCF integrity standards**

30. The IIU, in collaboration with the Secretariat, will develop training programmes for both Fund's staff and external stakeholders including accredited entities and Delivery Partners. In addition to onsite training, online tools and instructional material embedded on the IIU webpage will be employed for this purpose.

### **3.6.2 International cooperation**

31. In fulfilling its mandate to actively participate in relevant networks of integrity units to ensure that the Unit is at the frontier of relevant practices and that it benefits from initiatives undertaken by other international organizations, the IIU will continue to actively take part in professional communities and conduct peer learning exercises.

## Annex X: Independent Integrity Unit Budget for 2020

This Workplan and Budget was submitted to and approved by the Ethics and Audit Committee of the Board. Subsequently, the Budget Committee of the Board also considered and approved the IIU budget for 2020.

		Approved Budget for 2019	Budget for 2020	Increase (%)
<b>1</b>	<b>Salaries and consultants</b>			
1.1	Full-time staff	1,300,000	1,867,398	
1.2	Consultants	200,000	110,100	
	<b>Sub-total: Salaries and consultants (1)</b>	<b>1,500,000</b>	<b>1,977,498</b>	<b>31.83<sup>1</sup></b>
<b>2</b>	<b>Travel</b>			
2.1	Travel	200,000	207,046	
	<b>Sub-total: Travel (2)<sup>2</sup></b>	<b>200,000</b>	<b>207,046</b>	<b>3.52</b>
<b>3</b>	<b>Contractual services</b>			
3.1	Professional services	300,000	130,000	
3.2	Communication and outreach	100,000	20,000	
3.3	Other operating costs	100,000	130,000	
3.4	Information communication and technology	100,000	173,500	
	<b>Sub-total: Contractual services (3)<sup>3</sup></b>	<b>600,000</b>	<b>453,500</b>	<b>-24.42</b>
	<b>Grand total (1+2+3+4)</b>	<b>2,300,000</b>	<b>2,638,044</b>	<b>14.70</b>

<sup>1</sup> Estimated based on 10 staff members.

<sup>2</sup> Estimated at 25 number of trips for 10 staff members.

<sup>3</sup> Includes IT overhead charges per staff and licensing fees.



## Annex XI: Output Description/Budget Categories

Output	Output Description/Budget Categories	Total Budget
<b>01</b>	<b>1. Completion of the GCF integrity policy framework and development of guidelines for integrity issues</b>	<b>199,587</b>
01	Full-time Staff	165,837
01	Consultants	33,750
01	Travel	-
01	Professional Services	-
01	Other Operating Costs	-
<b>02</b>	<b>2. Proactive integrity risk assessment and project reviews</b>	<b>396,917</b>
02	Full-time Staff	266,991
02	Consultants	20,250
02	Travel	19,676
02	Professional Services	50,000
02	Other Operating Costs	40,000
<b>03</b>	<b>3. Implementation of policy defined monitoring obligations</b>	<b>191,657</b>
03	Full-time Staff	186,657
03	Consultants	-
03	Travel	-
03	Professional Services	-
03	Other Operating Costs	5,000
<b>04</b>	<b>4. Fund-wide awareness raising initiatives and networking with peer organizations</b>	<b>408,411</b>
04	Full-time Staff	108,911
04	Consultants	42,600
04	Travel	136,900
04	Professional Services	20,000
04	Other Operating Costs	100,000
<b>05</b>	<b>5. Provision of capacity building support for accredited entities regarding addressing integrity issues in the GCF-funded activities</b>	<b>138,995</b>
05	Full-time Staff	125,495
05	Consultants	13,500
05	Travel	-
05	Professional Services	-
05	Other Operating Costs	-
<b>06</b>	<b>6. Investigation activities</b>	<b>1,063,068</b>
06	Full-time Staff	943,608
06	Consultants	-
06	Travel	39,460
06	Professional Services	60,000
06	Other Operating Costs	20,000
<b>07</b>	<b>7. Team management</b>	<b>239,409</b>
07	Full-time Staff	69,899
07	Consultants	-
07	Travel	11,010
07	Professional Services	-
07	Other Operating Costs	158,500
<b>Total</b>		<b>2,638,044</b>

## Annex XII: 2020 Work Plan of the Independent Redress Mechanism

### I. Introduction

#### 1.1 Background

1. The Independent Redress Mechanism (IRM) is mandated in paragraph 69 of the GCF's Governing Instrument. This paragraph states that "(t)he Board will establish an independent redress mechanism that will report to the Board. The mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations." The IRM performs a key function within the GCF's accountability mechanisms. The IRM reports directly to the Board and is subject to the decisions of the Board. It is independent of the Secretariat of the GCF. The IRM's mandate is contained in the updated terms of reference adopted by the Board on 25 September 2017 (decision B.BM-2017/10).
2. The updated TOR of the IRM tasks the IRM with the following activities:
  - (a) **Reconsideration requests:** Addressing requests from developing countries for reconsideration of Board decisions denying funding to a project or programme;
  - (b) **Complaints and Grievances:** Addressing complaints and grievances from persons adversely impacted by projects or programmes of the GCF;
  - (c) **Advisory:** Recommending reconsideration of GCF policies, procedures, guidelines and systems based on lessons learned from cases handled by the IRM and from good international practice; providing guidance to the GCF's readiness and accreditation activities based on best practices;
  - (d) **Capacity building:** strengthening the capacities of accountability and redress mechanisms of direct access entities; and
  - (e) **Outreach:** Providing education and outreach to increase awareness of its role and work to stakeholders, the public and staff of the GCF.
3. The terms of reference specify that "to ensure the financial independence of the IRM, the Head of the IRM will propose a work plan, and budget for meeting the annual expenses and the Board will consider and approve this work plan and budget." The terms of reference also state that the annual work plan and budget shall be submitted to the Board through the Ethics and Audit Committee (EAC).
4. The IRM developed this work plan and budget for 2020 to give effect to Board decisions and implement the Board approved terms of reference. This work plan and budget was submitted to, and approved by, the EAC on 4 September 2019. Subsequently, the Budget Committee of the Board also considered and approved the work plan and budget for 2020 on 15 October 2019 (endorsement certificates for the EAC and Budget Committee are attached as annex IV and V respectively). The Board is requested to consider and approve the same.

#### 1.2 Implementation of the 2019 Work Plan

5. As mandated by the Board in paragraph 6 of the IRM's Terms of Reference (decision B.BM-2017/10), the IRM has consulted with the Ethics and Audit Committee (EAC) in the implementation of the 2019 work plan, reporting to it on a quarterly basis. Summaries of the work of the IRM from January to September 2019 have been provided to the Board in two documents titled "Report on the activities of the Independent Redress Mechanism" 12 June 2019 (GCF/B.23/Inf.03) and 15 October 2019 (GCF/B.24/Inf.02).

### 1.3 Work plan and budget

6. The budget for 2020 will allow the IRM to implement the activities set out in this work plan. The budget was developed in consultation with the Chief Financial Officer of the GCF Secretariat. Depending on the complaints and reconsideration requests received by the IRM (which are unpredictable), the budget may need to be supplemented during the year. The budget is set out in annex III hereof.

### 1.4 Key components of the 2020 Work Plan

7. The work plan is divided into six closely related components. Each component is essential for operating the IRM and ensuring that Board mandated tasks are completed in a timely and efficient fashion. A draft Board decision is suggested in annex I. The five main components of the work plan are as follows:

- (i) Operate the IRM;
- (ii) Address requests from developing countries for reconsideration of funding decisions and complaints from GCF project affected people;
- (iii) Provide advice;
- (iv) Develop the capacity of grievance redress mechanisms of DAEs; and
- (v) Conduct outreach.

8. Each of these tasks is explained in more detail below.

## II. Operate the IRM

### 2.1 Staff and consultants

9. The IRM is led by the Head of the IRM. It is now staffed by a Compliance and Dispute Resolution Specialist, and the Registrar of the IRM. No staffing changes are envisaged in 2020.

10. The IRM has constituted three rosters of subject experts, translators and mediators on an open competitive basis. There are at present 19 subject experts, 16 mediators and 45 translators on the three IRM rosters. Should the IRM need such services, they may be drawn from the rostered consultants on a financially competitive basis. Additionally, the IRM provides an opportunity for four interns through the year to assist in the IRM's work.

### 2.2 Supporting operating procedures (SOPs) for the IRM

11. The IRM developed and commenced piloting draft supporting operating procedures (SoPs) in early 2018, to guide IRM staff in efficiently and effectively implementing the TOR and the Procedures and Guidelines of the IRM that were adopted by the Board at B.22 in February 2019. The SoPs will continue to be pilot tested in 2020 and finalized in the course of the year.

### 2.3 Case management system (CMS)

12. The IRM has acquired a custom-tailored case management system (CMS) in 2018-2019 through an open competitive process. The CMS allows the IRM to systematically, consistently and timely process complaints and reconsideration requests received by it. Additionally, the CMS is also used by the Independent Units to register and process appeals under the

Information Disclosure Policy of the GCF. The CMS is also needed to collect and analyse data related to such complaints and reconsideration requests so that the IRM's capacity building activities for accredited entities and advice to the GCF based on lessons learned are well grounded. The CMS needs to be maintained by the software vendor and a budgetary allocation is sought to support the same, along with a budgetary allocation for possible change requests (i.e. changes to the system that are outside of the scope of the 2018 contract, but which are deemed necessary once the CMS becomes operational).

## 2.4 Independent Accountability Mechanisms Network

13. With Board approval, the IRM joined the Independent Accountability Mechanisms Network (IAMnet) in February 2017. IAMnet is a community of practice in this area. There are over 40 accountability mechanisms of international financial institutions and funds, and a significant number of the independent redress mechanisms of the current accredited entities are members of this network. The IRM will continue to actively participate in IAMnet, including attending its annual meeting and serving on working groups to develop good practices, collaborate on outreach activities, and implement governance reforms. The IAMnet meets in-person once a year for a three-day annual meeting. In 2020, the IAMnet annual meeting will be held in Washington, DC.

## 2.5 Reports

14. The TOR requires the IRM to publish an annual report for dissemination to the public. Such a report was published for 2017 in January 2018, and for 2018 in February 2019. A similar report will be published for 2019 in January 2020. Additionally, the TOR envisages periodic activity reports from the IRM to the Board. Furthermore, the GCF Board is expected to report to the UNFCCC, among other things, about the work of the IRM. The IRM will prepare all the aforesaid reports in a timely and appropriate manner. Public reports will be published on the IRM's website and will also be made available through other appropriate means.

# III. Address reconsideration requests and complaints

## 3.1 Requests and complaints

15. The IRM is now operational and able to process (a) *requests* from developing countries for reconsideration of funding denied by the Board, and (b) *complaints* from persons adversely affected by GCF funded projects or programmes. In 2017, the IRM received one complaint from Transparency International Bangladesh (an NGO) which was declared ineligible. In 2018 the IRM did not receive any *complaints* but received one *request* from Argentina for reconsideration of a funding decision denying funding by the Board (later withdrawn). In 2018-2019 the IRM also processed a self-initiated investigation relating to a project in Peru which resulted in the Secretariat providing undertakings to take various remedial measures. The IRM aims to monitor and close this case. However, in the event that the agreed undertakings by the GCF Secretariat are not implemented satisfactorily, the IRM retains the option to further investigate and to treat the information received in this case as an eligible complaint.

16. While it is not possible to predict how many complaints or requests will be filed in any given year, for purposes of planning and budgeting, the IRM estimated the possibility of three cases each being filed in 2018 and 2019. For 2020, budgetary provision is sought on a similar estimated basis.

#### **IV. Providing advice**

17. The IRM is mandated to provide the Board and the GCF Secretariat with advice on changes to policies, procedures, and systems of the GCF based on lessons learned either from cases handled by it or from international best practices. The IRM drafted two advisory reports in 2019 for presentation to the Board and the Secretariat with recommendations, as appropriate. The IRM will prepare, as appropriate, advisory reports in 2020 for presentation to the Board. The IRM also works collaboratively with the other two Independent Units and the Secretariat to provide advice and feedback on a range of policy documents.

#### **V. Develop the capacity of grievance redress mechanisms of DAEs**

18. Under the TOR, the IRM is mandated to share best practices and give guidance that can be helpful for strengthening of capacities of the accountability/redress mechanisms of direct access accredited entities. In 2018, the IRM developed capacity building activities for strengthening redress mechanisms of direct access entities who need such assistance. In October 2019, the IRM conducted a workshop in Songdo for the staff of grievance redress mechanism of direct access entities. Additionally, with the help of a consultant, the IRM is developing online and in-person training materials for the personnel of grievance redress and accountability mechanisms of direct access entities.

19. In 2020, the IRM plans to conduct a three-day training workshop for approximately thirty participants of key grievance redress mechanism personnel of direct access entities using the learning materials that have been developed. Utilizing the knowledge platform that the Secretariat is implementing, the IRM will upload the online learning modules to the platform and make it available to such personnel and the public. Additionally, the IRM will hold clinics and participate in the Global Programming Conference and the Global Private Sector Conference in Songdo conducted by the GCF Secretariat targeting NDAs and AE as well as Accredited Observers.

#### **VI. Conduct outreach**

20. The IRM has developed and is implementing a communications strategy to give effect to its mandate to conduct outreach to key stakeholders. The implementation of the strategy has budgetary implications. The strategy will help achieve the following TOR mandated tasks systematically and efficiently:

- (a) Share lessons learned from cases that are handled by the IRM;
- (b) Share best practices with the GCF and with direct access accredited entities, as appropriate; and
- (c) Provide outreach and education to relevant stakeholders and the public through workshops and disseminate information in user-friendly formats. The IRM plans to host one outreach event on its own in 2020, and to contribute to and participate in three outreach events led by other accountability mechanisms and civil society organisations.

## Annex XIII: Budget for 2020

This work plan and budget was submitted to, and approved by, the EAC on 4 September 2019. Subsequently, the Budget Committee of the Board also considered and approved the work plan and budget for 2020 on 15 October 2019.

	Cost Category and Sub-Category	2020 Draft	2019 Approved	Change
<b>3.1</b>	<b>Staff and Consultants</b>	<b>896,713</b>	<b>849,680</b>	<b>6%</b>
3.1.1	Full-Time Staff	759,893	728,680	4%
3.1.2	Consultancies	136,820	121,000	13%
<b>3.2</b>	<b>Travel</b>	<b>151,593</b>	<b>163,990</b>	<b>-8%</b>
3.2.1	General	56,433	95,140	-41%
3.2.2	Travel associated with complaints	95,160	68,850	38%
<b>3.3</b>	<b>Contractual Services</b>	<b>272,932</b>	<b>147,450</b>	<b>85%</b>
3.3.1	Professional Services	45,240	-	100%
3.3.2	Other Operating Costs	196,692	147,550	33%
3.3.3	Information Communication and Technology	31,000	-	100%
	<b>Grand Total</b>	<b>1,321,238</b>	<b>1,161,120</b>	<b>14%</b>

### Notes:

**Staff & Consultants** – This component represents three full time staff members and two full time interns.

**Time Sheet Consultants** - The number of requests and complaints that may be received in 2020 is unpredictable. For the purposes of this budget it has been assumed (as in 2018 and 2019) that the IRM may receive 3 cases in 2020 with a geographical spread in Africa, Latin America and Asia. The basis of the estimate for 2020 is similar to that of the 2019 budget. These costs include hiring of subject experts, mediators and translators as well as travel.

**Travel** – Travel component includes staff travel and consultant travel. Staff travel includes IRM staff attending one Board meeting to be held outside of Songdo, the annual meeting of IAMnet (which includes a civil society outreach day), participation in 2 outreach events conducted for civil society organizations one of which will be led by another accountability mechanism, hosting of one civil society outreach event, and one capacity building workshop for grievance redress mechanisms of Direct Access Entities.

IRM staff and consultant travels associated with 3 potential complaints and reconsideration requests that may be received by the IRM in 2020. Travel for each case has been budgeted on the basis that the Staff of the IRM and one expert and/or one mediator will need to travel to the project country once during problem solving, once during investigation in each such case and once during post-decisional monitoring.

**Professional Service** – Professional Services include maintenance of the Case Management System, a website upgrade, and publication and design of materials for capacity development and outreach workshops.

**Other Operating Costs** – Other Operating Costs includes costs of travel and accommodation for workshop and outreach event participants, and catering.

**Information Communication and Technology** - ICT Chargeback Costs to Independent Units payable to the GCF Secretariat



**Output based budget details:**

Output	Output Description/Budget Categories	Total Budget Amount
<b>01</b>	<b>01-Addressing requests from developing countries for reconsideration of Board decisions denying funding to a project or programme</b>	<b>177,321</b>
01	Full-time Staff	169,791
01	Consultants	7,530
01	Travel	-
01	Professional Services	-
01	Other Operating Costs	-
<b>02</b>	<b>02-Addressing complaints and grievances from persons adversely impacted by projects or programmes of the GCF</b>	<b>420,943</b>
02	Full-time Staff	189,253
02	Consultants	88,530
02	Travel	95,160
02	Professional Services	30,000
02	Other Operating Costs	18,000
<b>03</b>	<b>03-Providing lessons learned and advisory reports to the Board and GCF Secretariat</b>	<b>133,154</b>
03	Full-time Staff	124,436
03	Consultants	8,718
03	Travel	-
03	Professional Services	-
03	Other Operating Costs	-
<b>04</b>	<b>04-Strengthening the capacities of accountability and redress mechanisms of direct access entities</b>	<b>231,474</b>
04	Full-time Staff	135,816
04	Consultants	24,518
04	Travel	-
04	Professional Services	1,500
04	Other Operating Costs	69,640
<b>05</b>	<b>05-Providing education and outreach to increase awareness of its role and work to stakeholders, the public and staff of the GCF</b>	<b>239,967</b>
05	Full-time Staff	140,598
05	Consultants	7,524
05	Travel	28,053
05	Professional Services	13,740
05	Other Operating Costs	50,052
<b>06</b>	<b>06-Cross cutting - all outputs</b>	<b>118,380</b>
06	Full-time Staff	-
06	Consultants	-
06	Travel	28,380
06	Professional Services	-
06	Other Operating Costs	90,000
<b>Total</b>		<b>1,321,238</b>

## Annex XIV: List of conditions and recommendations

1. The approval of the funding proposals approved by the Board pursuant to decision B.24/09 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
<b>All proposals</b>	<p>(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.</p> <p><u>Satisfaction of the following conditions prior to the signing of the FAA:</u></p> <p>(i) Completion of the legal due diligence to the GCF Secretariat satisfaction; and</p> <p>(ii) Submission of a certificate or a legal opinion in a form and substance that is satisfactory to the GCF Secretariat, within 120 days.<sup>1</sup> after Board approval, or the date of effectiveness of the AMA entered into with the relevant accredited entity, whichever is later, confirming that the accredited entity has obtained all final internal approvals needed by it and has the capacity and authority to implement the proposed project/programme.</p>

**Table 2: Conditions specific to individual funding proposals**

FP number	Conditions
<b>FP082</b> (ADB China)	<p><i>Relevant iTAP conditions</i></p> <p><u>Satisfaction of the following conditions prior to first disbursement under the FAA:</u></p> <p>(a) Prior to first disbursement, the accredited entity will present for Secretariat review and approval an operation manual to be used by SGDF in its assessment and monitoring of subprojects. The manual should contain, among others:</p> <p>(i) Financial and non-financial indicators and criteria as described in annexes 9 and 14 of the funding proposal, with further elaboration of their application;</p> <p>(ii) Monitoring, evaluation and reporting structure and process expanded to include details based on annex 11 of the funding proposal;</p> <p>(iii) Subproject screening and an investment decision-making process; and</p> <p>(iv) A pricing policy based on project risks but taking into account climate change impact potential and green procurement.</p>
<b>FP116</b> (FAO Kyrgyzstan)	<i>None.</i>
<b>FP117</b> (GIZ Lao PDR)	<i>None.</i>

<sup>1</sup> For FP082 (ADB China), the period shall be 180 days.

<b>FP118</b> (FAO Nepal)	<i>None.</i>
<b>FP119</b> (AFD Palestine)	<i>None.</i>
<b>FP120</b> (FAO Chile)	<i>None.</i>
<b>FP121</b> (UNEP Paraguay)	<p><i>Relevant Board conditions</i></p> <p><u>Inclusion of the following covenant in the FAA</u></p> <p>Pursuant to paragraph 14 of the Terms of Reference for the Pilot Programme for REDD-plus, the AE shall provide, to the satisfaction of the GCF Secretariat, and prior to the implementation of the activities described in sub-output 2.2 of the Funded Activity, an operations manual for the implementation of sub-output 2.2 containing detailed eligibility criteria for the activities to be funded as well as the procedure for implementation of fiduciary, environmental and social safeguards consistent with GCF policies. Use of GCF Proceeds to finance the activities described in sub-output 2.2 of the Funded Activity shall be reported in the APRs submitted to the GCF Secretariat.</p>
<b>FP122</b> (KfW BAF)	<i>None.</i>
<b>SAP008</b> (PKSF Bangladesh)	<i>None.</i>
<b>SAP009</b> (UNEP Lao PDR)	<i>None.</i>
<b>SAP010</b> (Landbank Philippines)	<i>None.</i>
<b>SAP011</b> (WFP Mozambique)	<i>None.</i>
<b>SAP012</b> (IFAD Niger)	<p><i>Relevant iTAP conditions</i></p> <p><u>Inclusion of the following covenant in the FAA</u></p> <p>(a) The accredited entity shall:</p> <ul style="list-style-type: none"> <li>(i) Develop and submit to the GCF, prior to commencing the implementation of component 1 of the funded activity, a groundwater monitoring protocol, satisfactory in form and substance to the GCF Secretariat, identifying the relevant geo-referenced representative sites in each of the four target locations/areas where groundwater abstraction equipment to be financed under component 1 of the funded activity will be operated;</li> <li>(ii) Implement the groundwater monitoring protocol, and require the executing entity/ies to monitor quarterly the status of the groundwater aquifers in each of the identified sites where equipment financed under component 1 is operated, including RET-based water pumps, and report</li> </ul>



	<p>to the GCF in the annual performance reports (APRs) on the compliance with such protocol; and</p> <p>(iii) In case a decline in the piezometric surface of a groundwater aquifer is identified by the accredited entity or the relevant executing entity/ies, ensure that and contractually require the relevant executing entity/ies to ensure that (a) the borrowers suspend any groundwater abstraction activities, and (b) not provide any further financing for new equipment, in order to promote irrigation with the use of surface water sources only.</p>
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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. The decision by the Board to permit the Asian Development Bank to seek further approval of the Board of commitment of further funding pursuant to decision B.24/09 shall be conditional upon the satisfaction of the conditions set out in table 3.

**Table 3: Conditions for approval of further commitment by the Board**

FP number	Conditions
<p><b>FP082</b> (ADB China)</p>	<p><u>Satisfaction of the following conditions prior to approval by the Board of a commitment</u></p> <p>(a) The GCF having resources available for commitment in respect of the amounts requested;</p> <p>(b) All APRs and other reports outlined in the relevant FAA Schedule submitted by the accredited entity are in form and substance satisfactory to the GCF Secretariat, and that all changes (if any) required by the GCF Secretariat as a consequence of such APRs and reports not being satisfactory have been addressed to the satisfaction of the GCF Secretariat; and</p> <p>(c) The accredited entity has delivered, in form and substance satisfactory to the GCF Secretariat, no later than one year prior to the closing date specified in the FAA:</p> <p>(i) A request for approval by the Board of a further commitment for the funded activity;</p> <p>(ii) Evidence that at least seventy per cent (70%) of the funds previously disbursed by the GCF have been cumulatively committed by the executing entity for the implementation of the funded activity; and</p> <p>(iii) A document describing any changes required to the funding proposal and the FAA, including such changes to the activities, outputs, outcomes and impacts of the funded activity as are required to reflect the additional activities to be undertaken with the further funding requested.</p>

4. It is also recommended that the accredited entity implements the following recommendations during the implementation of the relevant project or programme.

**Table 4: Project-specific recommendations**

FP number	Recommendations
<p><b>FP082</b> (ADB China)</p>	<p><i>None.</i></p>
<p><b>FP116</b> (FAO Kyrgyzstan)</p>	<p><i>None.</i></p>
<p><b>FP117</b> (GIZ Lao PDR)</p>	<p>The iTAP recommends that the project provides a well-structured benefit sharing mechanism with concrete indicators on incentives and disincentives. The implementation arrangement is complex and includes differentiated roles of various stakeholders. The iTAP recommends that the governance mechanism responds to and monitors this complexity at multiple levels.</p>
<p><b>FP118</b> (FAO Nepal)</p>	<p><i>None.</i></p>
<p><b>FP119</b> (AFD Palestine)</p>	<p><i>None.</i></p>
<p><b>FP120</b> (FAO Chile)</p>	<p><i>None.</i></p>

<p><b>FP121</b> (UNEP Paraguay)</p>	<p>The iTAP recommends that Paraguay and the accredited entity give special attention to the following:</p> <ul style="list-style-type: none"> <li>(a) Continue efforts to improve the FREL, prioritizing: <ul style="list-style-type: none"> <li>(i) Implementation of the proposed improvement plan in order to (a) address the inconsistencies between the FREL and the GHG inventory; (b) improve the collection of information on activity data, emission factors and omitted carbon pools; and (c) assess the significance of emissions of gases omitted from the FREL;</li> <li>(ii) Estimate and report the aggregate FREL and uncertainties related to results in future submissions;</li> <li>(iii) Finalize the studies allowing for the definition of forest degradation as well as of methods and processes for generating activity data and emission factors, so that it may be possible to analyse the significance of the emissions from this activity;</li> <li>(iv) Continue capacity-building efforts to improve accuracy of the data and information included in the technical annex, particularly regarding the consideration of post-deforestation carbon stocks and the methods to estimate activity data; and</li> <li>(v) Finalize the establishment of a system allowing registration and tracking of emission reductions from REDD-plus activities; and</li> </ul> </li> <li>(b) Given the accreditation scope of the accredited entity with a ceiling of USD 50 million, the additional RBPs that the host country is entitled to might be addressed in a future funding proposal for a subsequent Board meeting.</li> </ul> <p>In terms of the use of the proceeds for the potential subsequent proposal, the long-term sustainability of the national climate change fund is fundamental to build on this funding proposal. Paraguay proposed several lines of action towards this goal, including contributions from the public treasury, private sources and others. The iTAP would like to see these lines of action confirmed with a plan around scalability, efficiency, capitalization and innovative blended finance, incentive and disincentive mechanisms, if Paraguay returns to GCF for additional RBPs.</p> <p>Furthermore, the iTAP would welcome mechanisms and provisions to drive actions for “defunding deforestation” and to involve agribusinesses in deforestation-free commodity value chains that respond to the urgent need to stop deforestation and ensure regenerative agricultural production in Paraguay.</p> <p>Moreover, the iTAP would recommend design of a proper benefit-sharing mechanism involving indigenous communities and peasants (campesinos).</p>
<p><b>FP122</b> (KfW BAF)</p>	<p><i>None.</i></p>
<p><b>SAP008</b> (PKSF Bangladesh)</p>	<p><i>None.</i></p>

<p><b>SAP009</b> (UNEP Lao PDR)</p>	<p>The iTAP recommends the accredited entity to:</p> <ul style="list-style-type: none"> <li>(a) Carry out a political economic analysis for each of the target cities so that the key stakeholders are all engaged from inception of the project and work closely to embark upon a sound governance system for the ICFMS to succeed; and</li> <li>(b) Strengthen the environmental management framework in anticipation of greater functions regarding pollution control in each of the four target cities and integrate such aspects in future integrated environmental management frameworks.</li> </ul>
<p><b>SAP010</b> (Landbank Philippines)</p>	<p><i>None.</i></p>
<p><b>SAP011</b> (WFP Mozambique)</p>	<p><i>None.</i></p>
<p><b>SAP012</b> (IFAD Niger)</p>	<p><i>None.</i></p>

## Annex XV: Accreditation assessment of applicant 090 (APL090)

### I. Introduction

1. Applicant 090 (APL090), the National Committee for Sub-National Democratic Development Secretariat (NCDDS), is a national public-sector organization based in Cambodia. The applicant is the secretariat for an interministerial mechanism for promoting democratic development through decentralization and de-concentration reforms throughout the country. The applicant is part of the Ministry of the Interior and has a fair degree of independence, which has increased because it became a government budgeting entity in 2018. Its core mission is to coordinate the Royal Government of Cambodia's National Programme for Sub-National Democratic Development. It plays an important role in implementing decentralization reform policies, local governance and capacity development by developing regulations and providing finance to local governments. Committed to addressing climate change issues, it mainly focuses on adaptation by engaging local government bodies in adaptation activities in areas such as livelihood enhancement, infrastructure and water security.

2. The applicant received support under the Readiness and Preparatory Support Programme for the gap assessment and action plan prior to submitting its application for accreditation. After having completed the readiness support, the applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 14 February 2017. Accreditation fees were received from the applicant on 18 May 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 28 March 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of the GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from Cambodia;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management; and
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).<sup>3</sup>

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme."

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

## II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. NCDDES was established by Royal Decree No. NS/RFT/1208/1429 in 2008.

### 2.2 Institutional presence and relevant networks

5. As an entity composed of ministers and the heads of the units in different ministries of the Government, the applicant has a strong presence and network at the national level. Approximately 1,000 employees are based throughout head offices, ministries, provincial and district offices. By using this network, the applicant plays a key role in coordination and consultation on policies, strategies and programmes implemented at the subnational and national level.

6. The applicant works to strengthen the mandate, capacity and resources of Cambodia's subnational government bodies and thereby it also works to foster inclusive democratic development at the local level. In addition, it aims to assist local communities to adapt to the impacts of climate change and to follow low-emission development pathways by integrating climate change issues and appropriate responses into subnational planning and budget execution.

7. In order to advance the objectives of the GCF, the applicant intends to manage funds from different sources in a complementary manner to support subnational climate change adaptation projects. The applicant indicated that the GCF resources would not be blended with other funds but would be used to increase in scale the positive impacts, reduce overhead costs, and enable a programmatic approach. Its intended programmes would primarily focus on climate change adaptation and cross-cutting issues such as:

- (a) Strengthening local government institutional and regulatory systems for climate-responsive development planning; and
- (b) Financing investments in local infrastructure and services to strengthen adaptive capacity and reduce exposure to climate risks.

8. In response to the GCF requests for proposal for the enhancing direct access pilot programme, the applicant submitted a project concept note regarding climate change and local government. The applicant intends to continue developing this concept note into a funding proposal for GCF.

### 2.3 Track record

9. The applicant has been working with local government bodies and donors on climate adaptive investments and infrastructure, agriculture, livelihoods support and community-based adaptation. Its main activity has been achieved through the implementation of three consecutive three-year programmes, known as IP3, which were funded by the Government of Cambodia and by development partners such as the European Union, development banks and some direct donors.

10. The applicant's track record in financing climate change related projects includes the following, which fall within the GCF "small" and "micro" size categories:
  - (a) USD 5 million (in grants) for the programme Reducing the Vulnerability of Cambodian Rural Livelihoods through Enhanced Subnational Climate Change Planning and Execution of Priority Actions;
  - (b) USD 10 million (in grants) for the project Agriculture Services Programme for Resilience, Innovation and Extension;
  - (c) USD 26.86 million (in grants) for the Land Allocation for Social and Economic Development Programme (Phase I); and
  - (d) USD 1.4 million (in grants) for the Local Governments and Climate Change Programme (Bridging Phase).

### III. Stage II accreditation review assessment

11. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of the GCF in accordance with the accreditation requirements.

12. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters to determine whether the applicant would be in a position to strengthen its basic fiduciary capacity as would be required from an implementing entity given the strength it had shown as an executing entity for a number of development partners.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

13. The applicant is the secretariat of an interministerial mechanism whose governance structure consists of a body of 11 government ministers, 3 secretaries of state, a representative of the Council for Development of the country and the head of its secretariat. It normally meets twice a year.

14. The Deputy Prime Minister of the country has recently approved the "Operations Policies and Procedures" (OPP Manual) and the "Internal Audit Manual" that upgrade existing policies and procedures of the applicant. The applicant presented on 11 September 2019 a document titled "Roadmap for enhance NCDs to manage fund from Green Climate Fund" hereafter referred to as "Roadmap". It includes reformulating its structure and its terms of reference to align with the new policies and guidance. Conducting training or workshops to introduce the OPP Manual is planned for the first and last quarter of 2019 and 2020. The anticipated actions listed in the Roadmap are incorporated throughout this report.

15. The applicant has a Trust Fund Review Committee that is equivalent to a steering committee and provides governance for the nine-year IP3 programme. The Trust Fund Review Committee is also tasked with oversight functions normally executed by ethics, finance and audit committees. Its membership is mainly from donor representatives. The applicant needs to decide what kind of a steering committee should be in place if it is an implementing entity for projects or programmes financed by GCF for which it cannot rely on a "donor oversight" mechanism. The need to establish capacity to have its own oversight functions was pointed out by Price Waterhouse Coopers in January 2017 but does not yet exist. The applicant's Roadmap states, as a key action, the establishment and function of such an oversight committee in

quarter 4, 2019. Until there is an oversight committee in place that can operate independently from the donors and its capacity is demonstrated there is a gap in terms of the GCF basic fiduciary standard on key administrative and financial capacities.

16. Recently the Deputy Prime Minister approved the above-mentioned 400-page OPP Manual, which upgraded the established policies and guidance relating to:

- (a) Personnel policies and procedures including an Employees Code of Conduct;
- (b) Financial policies and procedures including prohibitive practices;
- (c) Procurement policies and procedures including control over procurement of executing entities; and
- (d) Administrative policies and procedures.

17. The AP reviewed various draft versions of the manual during the accreditation review and concluded that the approved OPP Manual has adequate policies and procedures that cover the basic fiduciary requirements. There are other revisions to existing manuals approved in early 2019 including: internal audit; performance-based grants to subnational entities; and project implementation for communities.

18. Many of the governance structures described in the OPP Manual will now need to be put in place and their effectiveness needs to be demonstrated. While the applicant's Roadmap anticipates key actions in this regard for the remainder of 2019 and for 2020 it is likely that significant gaps will exist for some time to come. The required assurance that the applicant's future operations adhere to the OPP Manual can best be obtained through a review and verification by a third party.

19. During the accreditation review the following fiduciary gaps of the applicant were identified, in relation to the implementation and demonstration of its own policies, procedures and the basic fiduciary standards:

- (a) The OPP Manual contains excellent terms of reference for an Audit and Ethics Committee and the Roadmap anticipated that such a committee will be established in quarter 4, 2019. The need for such a committee to be established and for it to demonstrate that it is effective is crucial, given that its tasks relate to areas within the organization that are only at a basic level of maturity, including:
  - (i) Its role and responsibilities: ethics management including oversight of the Employees Code of Conduct (including the review and handling of related complaints and investigations; risk management) that needs to be implemented; governance structures; prohibitive practices (it is the owner of the policy); and the internal control framework;
  - (ii) Its oversight of internal and external audit and other assurance providers: reviewing and approving internal audit policies and procedures; approving annual risk-based internal audit plans (internal audit effort has decreased in 2018 and 2019); reviewing internal audit reports and the track record of implementing recommendations (no follow-up of recommendations had been done in 2018 and 2019); and providing oversight over prohibited practices and investigations; and
  - (iii) Its responsibility for reviewing reports relating to investigations done by internal audit (no allegations received in the last three years); management letters from external auditors; overseeing the conflict of interest disclosure, review, resolution and reporting;
- (b) The applicant approved a detailed Internal Audit Manual on the 26 June 2019. The roadmap calls for a training workshop and operationalization of the Internal Audit

Manual in quarter 4 2019. The manual gives the internal audit function a comprehensive scope that not only includes compliance and regulatory verification but also extends to questions of quality of reporting and the achievement of programmes, plans and objectives in an economic and efficient manner. The organizational chart for internal audit provides for a staff of five individuals. To deliver the type of value-added internal audits as described in its own manual will be a considerable leap compared with the internal audits currently performed, which consisted of 101 days in 2017, 31 days in 2018 and a planned audit effort of 40 days in 2019. Audits are limited to regulatory and compliance verification and there has been inconsistent follow-up of audit recommendations (none in 2018 and 2019 to date). There have been no internal audits of the headquarters, but the applicant has stated that those will be done in the future. The first external quality review for the internal audit function is planned for 2020;

- (c) NCDDS uses the accounting software “Peachtree Quantum 2010”, which is distributed and supported worldwide by Sage Software. The applicant has annual audited financial statements for its IP3 programme as well as separate audited financial statements for its other projects. This demonstrates the ability of the applicant to account for any GCF-funded project even though NCDDS does not maintain a financial statement for itself as one organization. This means that transactions worth an average of USD 150,000 per annum are accounted for through other stand-alone projects;
- (d) The applicant’s financial system, cash disbursements and signing authorities, and accounting procedures follow the systems of the national government and are adequate. Nevertheless, the need to adhere to the various controls and perform the required reconciliations is a recurring theme mentioned in the internal and external audit reports from the field. The adherence to these controls at the subnational level should improve once the applicant is more vigilant in ensuring that the internal and external audit recommendations are being implemented;
- (e) The OPP Manual (part II, chapter 18) describes risk management and the role and related responsibilities of the applicant’s staff . The procedures and templates for an effective risk management system still need to be developed. The Internal Audit Group is the body responsible for providing independent assurance on risk management practices, but this has never been done. Although not specifically mentioned in the applicant’s Roadmap, the implementation of the OPP Manual should result in the implementation of a risk management system. The applicant has adopted a project risk management framework that defines the risk identification and mitigation measures that are considered in programmes and projects;
- (f) The OPP Manual (part II, chapter 19) describes internal control. It covers topics such the “tone at the top”, delegated signing authorities, segregation of duties and the need to do reconciliations and maintain records. There is a Financial Management and Internal Control Checklist, which is to be completed by the divisional directors in the subprogrammes and the Provincial Governor at the subnational level. The purpose is to determine the level and quality of internal control. There is also a Financial and Administrative Compliance Checklist to be completed twice a year by the applicant’s director of the financial administration division. Although these checklists have existed for over a decade they have not been completed. The applicant has confirmed that these will be done from now on, given that the OPP Manual is approved. This will provide a valuable self-assessment of the status of internal control. While not specifically mentioned in its Roadmap, the implementation of the OPP Manual should result in the completion of these key self-assessment documents and strengthen internal control where weaknesses have been identified;

- (g) The applicant has a vision and strategic direction, goals, objectives, outputs and indicators that are linked to the national programme of the Government. These are reported upon in the applicant's annual report. However, the vision and strategy will need to evolve as the applicant takes on development programmes with objectives linked to those of GCF;
- (h) The applicant's Procurement Policy and procedures are contained in part III of the OPP Manual, and cover different types of procurement. The policy and procedures meet the GCF basic fiduciary standards on key administrative and financial capacities. The policy does not include a requirement to publish procurement results, but the applicant has stated that it is drafting guidelines on awarding contracts, to be approved in quarter 2, 2020. Improvements to the procurement function can be anticipated because the Roadmap includes the establishment and functioning of a procurement oversight committee and a procurement review committee. The internal and external auditors cover procurement when they review supplier invoices, supporting documents and payments vouchers. Two procurement examples (procurement of a truck and some consultancy) were provided and showed that the applicant followed its own procedures; and
- (i) The OPP Manual includes procedures for procurement complaints. Investigations are done by the Internal Audit Group using the same system as for fraud investigations, which are under the oversight of the applicant's Audit and Ethics Committee. However, the effectiveness of the procurement complaint system could not be demonstrated because, according to the applicant, no procurement complaints have been received in the last three years. The situation of no complaints may be evolving because the Roadmap includes making the redress mechanism systematic.
20. The AP finds that the applicant's policies and procedures meet the GCF basic fiduciary standards on key administrative and financial capacities. However, the applicant has not demonstrated its capacity to implement its policies and procedures. The relevant gaps identified in paragraphs 15, 18 and 19 above are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

21. The Employees Code of Conduct, contained in part I, chapter 1 of the applicant's OPP Manual was revised during the accreditation review and is now applicable to individuals contracted or functionally related to the applicant at the national and subnational level and also all contractors, implementers and other stakeholders receiving funds from the applicant. However, how the application will be implemented to the individuals that are not employees still needs to be demonstrated. The Employees Code of Conduct contains the required provisions relating to conflict of interest and the filing of declarations of financial interest.
22. Oversight of the Employees Code of Conduct, discharging related roles, including the review of complaints and handling of investigations are all to be handled by the Audit and Ethics Committee. The Roadmap anticipated that the Audit and Ethics Committee will be established and functional in quarter 4, 2019. Until this aspect has been comprehensively treated by the Audit and Ethics Committee and its recommendations, if any, are implemented by the applicant there is a gap relating to the GCF basic fiduciary standards on transparency and accountability.
23. The OPP Manual (part I, chapter 16) deals with fraud and corruption, and chapter 17 deals with zero tolerance for prohibited practices and includes adequate whistleblower provisions. The OPP Manual requires all those receiving funds through the applicant, to act in accordance with the Employees Code of Conduct. This includes its suppliers, grant recipients, implementing or executing entities, subnational administrations, contractors and agents. The

Audit and Ethics Committee is owner of the policy and the Director of the Internal Audit Group is responsible for creating the required practices and carrying out the investigations. The provisions of the OPP Manual require investigations to be conducted and reported to the Audit and Finance Committee. These instructions are sufficient, given the nature of the operations of the applicant.

24. The applicant has stated that it has not received any allegations of wrongdoing for the last three years that required an investigation. The Roadmap anticipates that the Audit and Ethics Committee will be established and function in quarter 4, 2019. This must include effective discharge of its oversight over prohibited practices, including fraud and corruption, and examining the effectiveness of making the redress mechanism more systematic. Until all the elements are in place the applicant has not demonstrated its capacity and this is a gap related to the GCF Policy on Prohibited Practices.<sup>4</sup>

25. The applicant's policy on anti-money-laundering and countering the financing of terrorism is covered in the policy on zero tolerance for prohibited practices. There are provisions for "know-your-customer" checks and there is heavy reliance on the national banking system, which has the required policies in place. Given the development role that the applicant has, and its close working relationship with subnational entities, these procedures are sufficient.

26. The AP finds that the applicant's policies and procedures fully meet the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>5</sup> the GCF Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy.<sup>6</sup> However, the applicant has not demonstrated its capacity to implement its policies and procedures and therefore has no track record in this regard. The relevant gaps identified in paragraphs 21, 22 and 24 above are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

27. The applicant's project management policies and procedures are established, primarily, for the implementation of the National Programme for Sub-National Democratic Development (NP-SNDD). The applicant has not documented a project management framework applicable to projects other than NP-SNDD.

28. However, the applicant's experience as an executing entity for projects undertaken in cooperation with its country's development partners, as well as its experience implementing the NP-SNDD, provide evidence of its project management capacities. Furthermore, the national "Standard Operating Procedures For All Externally Financed Projects/Programs in Cambodia" (which, for the most part, contain the requisite elements of a project preparation, appraisal and implementation framework required by the GCF specialized fiduciary standard for project management) provide the applicant with appropriate guidance for the development of its project design, appraisal and implementation manual.

29. During the accreditation process the applicant confirmed its willingness to develop a project design, appraisal and implementation manual, as required by the GCF specialized fiduciary standard for project management; furthermore, the applicant demonstrated that it has the project management experience and resources to comply with this commitment.

30. The applicant demonstrated its capacity to incorporate project risk assessment at the preparation stage while developing the third three-year implementation plan for the NP-SNDD (IP3-III). IP3-III incorporates, for each of the five components of the plan, a detailed risk

<sup>4</sup> Decision B.22/19 and annex XIV thereto.

<sup>5</sup> Decision B.21/25 and annex II thereto.

<sup>6</sup> Decision B.18/10 and annex XIV thereto.

analysis, a risk rating (high, medium and low) and the proposed mitigating actions. The ability to incorporate a comprehensive risk analysis is based on the applicant's understanding of the NP-SNDD, as well as on the collaborative method used to develop IP3-III. The IP3-III preparation process was initiated with a concept note, developed by the applicant, outlining the components and objectives of the plan. Based on the initial concept document the AP considers that the applicant exhibited the required capacity to engage relevant stakeholders, such as development partners and civil society organizations, and incorporate the input received into the first draft IP3-III. The draft plan was assessed by a team of external experts, which provided an independent assessment of the plan and incorporated further relevant input by broadening the range of stakeholders consulted. The applicant displayed the capacity to consolidate the information generated, during the consultation and appraisal period, into a coherent IP3-III document approved by the National Committee for Sub-National Democratic Development (NCDD). The IP3-III preparation process, characterized by its collaborative nature and consideration of stakeholder input, provides the required information for a comprehensive understanding of the project risks, as well as providing an effective quality review of IP3-III.

31. The applicant's current project management policies and procedures include guidelines for the consistent preparation of implementation plans, budgets and periodic reporting requirements. Specifically, for the projects that are executed as part of IP3-III, the implementation plans are prepared following the national guidelines for the preparation and implementation of the national programme annual work plan and budget (AWPB) issued by the NCDD. These guidelines establish the following stages that are completed during the preparation of the AWPB:

- (a) Formulation of the AWPB: the applicant proposes, and discusses with representatives of the ministries and of the provinces, the preliminary expected outputs;
- (b) Identification of the availability of required resources;
- (c) Preparation of the draft AWPB: based on the established preliminary outputs and available resources, the ministries and provinces prepare their draft AWPBs, which are assessed by the applicant to ensure consistency with, and attainment of, the objectives of the (IP3-III);
- (d) A national workshop on AWPB formulation: this is held and feedback is provided for enhancement of the work plans; and
- (e) Preparation of the detailed AWPB: based on the outcomes of the workshop, the ministries and provinces prepare the detailed AWPB and present it for approval by the NCDD.

32. The applicant consolidates all the (IP3-III) AWPBs into its national AWPB database, which is used to exercise oversight of all stages of the AWPBs (preparation, implementation, monitoring and evaluation). However, the applicant has not developed appropriate project closure guidelines, which are required by the GCF specialized fiduciary standard for project management. It is important to note that during the accreditation assessment the applicant recognized the need to enhance its project management capabilities with appropriate project closure guidelines.

33. The applicant's monitoring & evaluation (M&E) manual was updated on June 2019 and made available on its website.<sup>7</sup> As previously described, for the implementation of the NP-SNDD the applicant develops three-year implementation plans (IP3), which are operationalized by the execution of the AWPB of the IP3 executing entities. The applicant's M&E manual provides comprehensive guidance for the monitoring of the AWPBs and for the impact evaluation of the IP3.

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<sup>7</sup> Available at <<http://ncdd.gov.kh/wp-content/uploads/2019/06/ME-manual-ENG-Last-Version.pdf>>.

34. The monitoring of the AWPBs is done at two levels: monitoring of the IP3 executing entities AWPBs and monitoring of the NCDD AWPB, which consolidates the results obtained by the executing entities. NCDD prepares quarterly, half-yearly and yearly monitoring reports. These periodic reports include an overview section that summarizes progress in IP3 implementation at the date of the report, as well as describing the milestones attained, implementation issues encountered, status of project indicators and project expenditure by budgeted source of funds. The second section of these reports contains a detailed consolidation, organized by project component, of progress information reported in the AWPBs of the executing entities. Finally, annexes that contain financial, procurement and staffing information are included in the reports.
35. The IP3 executing entities prepare monthly reports that provide a summary of the main achievements attained, budget execution information and implementation problems faced. Furthermore, these reports include a detailed account of execution progress and expenditure by planned activity and description of procurement activities. IP3 executing entities must establish an accounting system and prepare monthly financial reports (and a year-end closing report for the AWPB).
36. All the information collected to prepare the periodic reports must be uploaded into the national AWPB database, which serves as the repository for all information related to the AWPBs executed in the context of the NP-SNDD three-year implementation plans.
37. The AP found that the applicant's AWPB and IP3 monitoring guidelines and procedures, supported by the technical tools implemented are effective.
38. The applicant recognizes the importance of relying on independent assessments in order to obtain relevant information for enhancements of the NP-SNDD. The applicant provided several examples of independent evaluations it has commissioned. However, the requirement to undertake independent project evaluations is not mandated in its M&E manual, nor did the applicant provide a policy on disclosure of final project evaluation reports. The GCF specialized fiduciary standard for project management establishes that consistent and independent evaluation of project results must be undertaken, either by external experts or an organizational unit of the applicant that is independent from the project implementation and supervision units. Furthermore, an evaluation disclosure policy that mandates the public disclosure, to the extent possible, of project final evaluation reports must be implemented.
39. The applicant draws guidance for project-at-risk management from the various sources, including the "Standard Operating Procedures for all Externally Financed Projects/Programs in Cambodia"; the risk analysis and mitigation measures developed for IP3-III; and from the project-level risk analysis and risk management procedures included in donor-funded projects. In addition to these, the applicant has developed a project risk management framework that will apply to GCF-funded projects/programmes and to AWPB projects that do not have explicit donor requirements.
40. The project risk management framework specifies that:
- (a) The applicant will establish an independent project-at-risk function;
  - (b) The applicant will develop a project-at-risk database, managed by its M&E department, to monitor and generate project risks reports; and
  - (c) The project-at-risk procedures will be standardized for smaller projects (less than USD 250,000) and the project-at-risk procedures for larger projects will be formulated to address the specific risks of the project.
41. In addition, the project risk management framework establishes a matrix to classify the risks of every project; defines the obligation of the project managers to periodically report the status of project risk indicators; and defines the corrective actions to be implemented if a project is classified as a project-at-risk.

42. The applicant's project risk management framework satisfies the requirements of the GCF specialized fiduciary standard for project management. Specifically, the GCF specialized fiduciary standard for project management establishes that the project-at-risk unit must be independent from the project implementation and supervision units, and additionally, must have the capacity to identify project risks and propose appropriate mitigation actions. The applicant is yet to establish an independent project-at-risk function, and demonstrate the risk management capacity of this function, as defined in its project risk management framework.

43. The applicant's main project management experience comes from the implementation of the NP-SNDD. The formulation and implementation of the current NP-SNDD IP3-III demonstrates the applicant's project preparation and implementation competencies specific to the requirements of the NP-SNDD. The applicant's main responsibilities, pertaining to the NP-SNDD include:

- (a) Developing, in consultation with relevant stakeholders, the IP3 for the NP-SNDD;
- (b) Coordinating the activities of executing entities that participate in the execution of the IP3;
- (c) Executing the IP3 activities that are under its purview; and
- (d) M&E of the execution of the IP3.

44. The AP finds that the applicant's policies, procedures and capacity partially meet the GCF specialized fiduciary standard on project management, and the applicant has not demonstrated its track record to implement its recently developed policies and procedures. The relevant gaps identified in paragraphs 29, 32, 38, and 42 above are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

45. The applicant's lead role in the implementation of the NP-SNDD and its experience of implementing grant award programmes, in collaboration with development partners, mean the applicant has the potential to successfully manage grant award programmes directed towards supporting the strengthening of its country's subnational administrations (SNAs).

46. The applicant has implemented important improvements in its grant management capacities; specifically, it recently introduced a manual for performance-based grants to SNAs, which institutionalizes the experience it acquired as an executing entity of several donor programmes that have used performance grants as the funding mechanism.

47. However, further verification is needed regarding the effective implementation of the manual for performance-based grants to SNAs. The applicant has yet to execute a performance-based grant programme guided by its recently developed manual; thus, confirmation of successful implementation is required.

48. The applicant confirmed during the accreditation process that its grant programmes will have two defining characteristics:

- (a) The grants will only be awarded to SNAs as a funding mechanism for projects that further the goals of the NP-SNDD; and
- (b) Its grant programmes will include two funding components:
  - (i) A base funding allocation; and
  - (ii) A performance-related allocation.

49. The applicant's grant award procedures require there to be a clear definition of the grant programme's objectives. For example, if the objective of the programme is to improve the

capacity of SNAs to deliver a specific service, the SNAs that have the potential to obtain the most benefit from the grant are selected as target grant recipients; the evaluation and selection of target SNAs (undertaken by the applicant) is based on objective criteria and, to the extent possible, publicly available information (such as government statistics of the service deficiency that the grant programme aims to address). Once selected, the applicant provides the target SNAs with a complete description of the grant programme, including the grant award application. The interested SNAs submit their application form, authorized by the SNA Council, which is responsible for the good use of grant funds. SNAs that decline the invitation are replaced by the next highest ranked SNA. The applicant SNAs are evaluated in terms of pre-established minimum conditions required for grant award eligibility. Two outcomes are possible from this evaluation: either the applicant SNA is rejected and the next highest ranked target SNA is invited to apply, or the applicant SNA is approved with the condition that no funds be disbursed until the minimum conditions are met. Once the grant recipient SNAs have been selected, the applicant calculates the grant amounts for every recipient following the programme's pre-established allocation formula.

50. A detailed list of selected SNAs is presented to the Grants Committee for approval of the grant awards. The procedure for convening a session of the Grants Committee requires that the applicant provide the committee members, with enough anticipation, the list of SNAs considered, a summary of the evaluation exercise and criteria applied, and details of the grant allocation calculation. The Grants Committee reviews the grant awards proposal and either authorizes the grant awards or requests that the applicant review the proposal and confirm compliance with the grant programme rules, which were previously authorized by the Grants Committee. It is relevant to note that the Grants Committee cannot request changes to the grant award proposal presented by the applicant that contravene the approved terms and conditions of the grant programme.

51. Once the Grants Committee has authorized the selection of grant recipient SNAs, the applicant will publish the grant award results. The publication will contain details of the purpose of the grant awards, source of funds (donor), names of the grant recipient SNAs, the amounts awarded and, if it contributes to further enhance transparency, the selection and allocation criteria can also be published.

52. The composition of the Grants Committee includes the applicant's senior leader (who acts as chair of the committee), a representative of the donor agency, a representative of the local governments, a representative of the relevant ministry (relevance is defined by the issue the grant award aims to address) and a representative of the Ministry of Economy and Finance.

53. The terms of reference of the Grants Committee assign functions and responsibilities that establish the required authority for effective oversight and control of the grant award process. The functions of the committee include approving the applicant's recommendations concerning purpose and objectives of grant programmes, eligible expenditure, minimum conditions, performance indicators, criteria for target SNA selection, formula for grant allocation amounts and grant award proposals.

54. In addition to the monitoring procedures established in the applicant's M&E manual the applicant has established additional monitoring and evaluation guidelines in its Manual for Performance-Based Grants to Sub-National Administrations, including the use of annual performance assessments to determine the allocation of performance-related grant funds.

55. The applicant's grant award manual establishes the following standard monitoring activities that must be undertaken for its grant award programmes:

- (a) The subnational administration (grant beneficiary) must periodically provide progress reports that contain updated information pertaining to the execution of the planned activities (including budget execution);

- (b) The subnational administration must monitor and report on the attainment of the outcomes established for the performance-based grant;
- (c) The applicant must periodically monitor the attainment of the performance-based grant programme outcome indicators and evaluate the impact of the programme; and
- (d) Independent external evaluations of the performance-based programmes should be commissioned to evaluate the grant programme in general, but mainly to determine the impact of the programme, and the attainment of the expected outcome. Independent evaluators will normally be engaged once there is enough information to evaluate (the applicant suggests in its grant award manual that the external evaluation “should be conducted every three years”).

56. In addition to the standard M&E of the grant programme, the applicant will perform annual performance assessments to determine the allocation of the performance-based component of the grant awards. This annual assessment measures, for each grant beneficiary, the attainment of the agreed performance indicators, thus determining the amount of grant funds that will be allocated during the following year. In addition, the annual performance assessments help to identify any capacity development activities that the SNAs need to implement in order to further enhance their capacity to attain the performance outcomes.

57. As a result of its active participation in performance-based grant programmes, the applicant has acquired the expertise needed to implement this type of programme. The Local Governments and Climate Change Programme (which is the Cambodian adaptation of the United Nations Capital Development Fund’s Local Climate Adaptive Living Facility<sup>8</sup>) and United Nations Development Programme/Global Environment Facility “Reducing the vulnerability of Cambodian rural livelihoods through enhanced sub-national climate change planning and execution of priority actions”<sup>9</sup> are reported examples of the applicant’s capacity to implement performance-based grant programmes.

58. The AP finds that the applicant’s policies, procedures and capacity meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. However, the applicant has not demonstrated its track record of implementing its recently developed performance-based grant programme policies and procedures. The relevant gap identified in paragraph 47 above is reflected by the corresponding condition for accreditation in section 4.2.

59. The applicant applied for the small size category for projects/programme activities, as referenced in paragraph 2 above. However, following the recommendation of the AP, revised its accreditation application during the Stage II (Step 1) assessment to the micro size category.<sup>10</sup> The applicant has recently approved key policies required by the GCF basic fiduciary standards (including the ones required on key administrative and financial capacities and on transparency and accountability), the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The applicant must demonstrate effective implementation of its new policies and acquire a track record in the project/programme implementation role that is required of GCF accredited entities. The applicant recognized the need to develop this track record and decided to apply for the micro size category at this time.

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<sup>8</sup> See <<http://www.local-uncdf.org/>>.

<sup>9</sup> See <<https://www.adaptation-undp.org/resources/reports-and-publications-country-teams/mid-term-review-reducing-vulnerability-cambodian>>.

<sup>10</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”.

### 3.1.5 Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees

60. The applicant did not apply for assessment against this standard at this time.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

61. The applicant's environmental and social management system (ESMS) comprises its "Environmental and Social Safeguards (ESS) Policy for Sub-National Democratic Development", approved in June 2019, and the "Guideline for Managing Environmental and Social Risks (ESRM guidelines) in projects in the framework of the national programme for Sub-National Democratic Development", approved in August 2019. The environmental and social safeguards (ESS) policy is posted on applicant's website. It was developed to ensure the sustainability of the ecosystem, natural resources, cultures, traditions, customs, indigenous peoples, as well as gender equality, safety and social welfare at the subnational level. The ESS policy is part of the subnational development programme, which aims to promote the participation, responsibility, transparency and effectiveness of SNAs in respect of environmental and social protections that are in line with national and international standards for the implementation of funding projects. This policy requires the SNAs to identify and address the impacts and risks to the environment and society that may arise as a result of the project implementation by focusing greatly on gender equity, vulnerable groups, indigenous peoples and cultural heritage protection.

62. The ESS policy articulates eight strategies:

- (a) Assessment and management of environmental and social risks and impacts;
- (b) Labour and working conditions;
- (c) Resource efficiency and pollution management;
- (d) Health, safety and welfare of the community;
- (e) Land acquisition and involuntary resettlement;
- (f) Biodiversity conservation and sustainable management of living natural resources;
- (g) Indigenous peoples; and
- (h) Cultural heritage.

63. These eight strategies are consistent with performance standards 1 to 8 of the GCF interim ESS standards. The applicant leads and provides facilitation to the working team and the relevant ministries and institutions with regards to legal standards, strategic plans, instructions and specifics as a support for the SNAs in implementing the ESS policy. The ESS policy was approved in June 2019. ESS policy-related training for SNA staff is planned for quarter 4, 2019.

64. The AP finds that the applicant's ESS policy and related documents, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy<sup>11</sup> and interim ESS standards for a maximum environmental and social (E&S) risk category B/I-2 projects/programmes with respect to performance standards 1 to 8 of the GCF interim ESS standards.

### 3.2.2 Section 6.2: Identification of risks and impacts

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<sup>11</sup> Decision B.19/06 and annex X thereto.

65. The ESRM guidelines serve as an annex to the applicant's ESS policy and include a description of the applicant's institutional procedure to guide staff on identifying the E&S risks and impacts of projects/programmes in line with performance standards 1 to 8 of the GCF interim ESS standards. The ESRM guidelines build on the eight strategies indicated in section 3.2.1 above and describe the applicant's E&S risk screening of projects or funding facilities to identify potential risks based on the E&S risk categories: category A/I-1 (high risk), category B/I-2 (medium risk) or category C/I-3 (low risk).

66. The applicant's organizational head is responsible for ensuring that the E&S risk management process is properly implemented. Implementation is carried out by the E&S safeguards officers who carry out technical tasks on E&S risk screening; preparation of the environmental and social management plan (ESMP); and monitoring, learning and knowledge management. The applicant's Project Implementation Unit is responsible for the design and implementation of projects. The applicant provided a sample of E&S risk screening for projects using strategies 2–8 of its ESS policy, which include a project in the category B smallholder rural livelihood programme and a climate resiliency in infrastructure project, and a category C programme to reduce gender violence.

67. The AP found that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

68. The ESRM guidelines describe the applicant's institutional process to track and manage mitigation measures and actions stemming from the E&S risk identification process for E&S risk category B/I-2 and C/I-3 projects, in line with performance standards 1 to 8 of the GCF interim ESS standards. The ESRM guidelines provide details of the process for the preparation of an environmental and social impact assessment (ESIA) or an ESMP for category B/I-2 projects. Category C/I-3 projects do not require an ESMP.

69. The applicant provided examples of two E&S risk category B/I-2 appraisal reports on financing to the applicant's Government: one on the land allocation for a social and economic development project (April 2016) financed by the World Bank; and another on a poverty reduction and smallholder development project (October 2009) financed by the Asian Development Bank and the International Fund for Agriculture Development. Both of these project appraisal documents have well-formulated E&S assessment and mitigation management plans, although they were prepared by the lending institutions. The applicant also provided documents on two road projects financed through the Commune/Sangkat (community/village) Fund, which include a limited E&S assessment. The applicant stated that it has not independently developed plans for managing E&S mitigation measures in the project design phase. The AP found that these reports do not constitute sufficient evidence on the applicant's capacity to independently develop mitigation and plans. The applicant indicated that it is willing to comply with requirements to develop ESIA/ESMP for GCF-funded projects/programmes in E&S risk category B/I-2, using the procedures described in its ESS policy and ESRM guideline.

70. The ESS policy includes a requirement for the applicant to conduct an external audit on the effectiveness of its institution's E&S management programme for GCF-funded projects/programmes. However, the applicant could not provide a sample of an external audit report on its ESS policy. The applicant indicated that it would be willing to provide an external audit report for GCF-funded projects/programmes in accordance with its ESS policy, once accredited.

71. The AP finds that the applicant's management programme and track record do not fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S

risk category B/I-2 projects/programmes. The applicant could not provide ESIA/ESMP for projects/programmes in E&S risk category B/I-2. The applicant also could not provide an external audit report on implementation of its ESS policy. The relevant gaps identified in paragraphs 69 and 70 above are reflected by the corresponding conditions for accreditation in section 4.2.

#### 3.2.4 Section 6.5: Monitoring and review

72. The ESRM guidelines describe the applicant's internal processes to support a monitoring/supervision programme that tracks and ensures completion of mitigation activities. The applicant is responsible for monitoring, evaluating, facilitating and counselling with the relevant ministries, SNAs and relevant institutions regarding the practices of its ESS policy. The applicant may also use an external (independent) monitoring and evaluation team, depending on the resources and budgets available. The safeguards officers are responsible for following up on implementation of the ESMP and compliance with the ESS policy for all projects, except where alternative arrangements are made in line with donor requirements.

73. The applicant provided its annual safeguards reports, which contain summaries of evaluations on the management of E&S mitigation measures. The applicant has demonstrated a long track record in managing and monitoring E&S risks in subprojects based on the guidelines in its project implementation manual for the Commune/Sangkat Fund, and provided an example of an environmental analysis that was conducted on the basis of these guidelines, as well as an example of a land acquisition plan prepared for Commune/Sangkat Fund subproject. However, the AP found that these documents do not constitute sufficient evidence of the applicant's monitoring and review of E&S mitigation measures. The applicant indicated that future safeguards monitoring reports will report on compliance under each of the strategies (1–8) of the revised ESS policy, which are aligned with performance standards 1 to 8 of the GCF interim ESS standards.

74. The AP finds that the applicant's system of monitoring and review does not fully meet the GCF Environmental and Social Policy and interim ESS standards. The applicant could not provide E&S monitoring reports on its projects/programmes in E&S risk category B/I-2 in line with performance standards 1 to 8 of the GCF interim ESS standards. The relevant gap identified in paragraph 73 above is reflected by the corresponding condition for accreditation in section 4.2.

#### 3.2.5 Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism

75. The applicant maintains a corporate-level website that provides contact details of the applicant's personnel, through which citizens can contact the organization. The applicant provided its communications strategy and an accompanying "Communications plan for inclusive civic engagement, social services and accountability". The procedure for submitting and managing complaints through the website is described in the applicant's OPP Manual. However, the OPP Manual does not address E&S-related complaints. Complaints can also be submitted in writing, by telephone or in person. In all cases, the complaints are recorded and appropriately investigated. The applicant's safeguards officers are informed of all cases of complaints concerning ESS. The safeguards officers are involved in investigating the complaint, except in the case where the safeguards officers, or actions they are responsible for, are themselves the subject of the complaint.

76. The applicant indicated that it is willing to develop and implement a communication and complaints-handling system for GCF-funded projects/programmes, once accredited, and that the complaints-handling procedure (including a register to record complaints and related responses) will be put in place following approval of the OPP Manual.

77. At the SNA level, complaints are being handled through an “accountability box” system whereby the public can submit complaints/issues through boxes that are located at each Commune and Sangkat council office nationwide (1,645 local councils) plus additional locations. The accountability boxes are under the management of the Accountability Working Group (AWG), an independent body. The applicant provided a document describing the structure and responsibilities of the AWG. The complaint handling at SNAs is done by an Ombudsman Office in accordance with regulations and procedures. The applicant also oversees a local-government (SNA) level complaints process through an Ombudsman system that has been in pilot-form since 2005 and is now being rolled out nationally to replace the existing accountability box system). The applicant provided data on complaints handled through this system.

78. The ESRM guidelines briefly describes the applicant’s grievance redress mechanism; however, the AP found that it is not sufficient to meet the GCF requirements. The applicant has indicated that it is willing to develop guidelines for an independent grievance redress mechanism including a register of queries and complaints in quarter 4, 2019, by the new AWG structure as mentioned above. For the time being the existing AWG mechanism will be used. This will be linked with the subnational level to the Ombudsman system and at national level to the applicant’s complaints system described in the OPP Manual.

79. The ESRM guidelines include requirements for the applicant and its executing entities on the disclosure and consultation on E&S assessment information, including the duration of the disclosure period in line with the requirements for the disclosure of E&S information for E&S risk category B/I-2 contained in the GCF Information Disclosure Policy. The applicant does not have a track record on implementing its E&S assessment information disclosure.

80. Further, the applicant’s ESS policy needs to include a requirement for its executing entities to have a project-level grievance redress mechanism in place for GCF-funded projects/programmes.

81. The AP finds that the applicant’s system of external communications, consultations, information disclosure, and grievance redress mechanism do not fully meet the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information for a maximum E&S risk category B/I-2 projects/programmes. More specifically, the applicant does not have an external communication system such as a website to receive, respond and register E&S complaints. Furthermore, the applicant does not have an independent grievance redress mechanism at its institutional level, and it does not have a track record in implementing its E&S information disclosure policy for E&S risk category B/I-2 projects/programmes. The relevant gaps identified in paragraphs 75, 76, 78, 79 and 80 above are reflected by the corresponding conditions for accreditation in section 4.2.

### 3.2.6 Section 6.4: Organizational capacity and competency

82. The applicant’s ESS policy contains the organizational structure, while the ESRM guidelines describe the role of the management and safeguards officers responsible for E&S monitoring and review. The applicant leads and provides facilitation to the working team and the relevant ministries and institutions with regards to legal standards, strategic plans, instructions and specifics as a support for the SNAs in implementing the ESS policy.

83. The safeguards officers select a sample of projects that have “risk flags” and visit the selected projects to verify that safeguards procedures were followed properly; whether any negative environmental or social impacts occurred; whether the local community and other stakeholders are satisfied with the implementation of safeguards; and whether there are any lessons that can be learned for future projects. If the safeguards officers discover that the ESMP and ESS policies have not been correctly implemented, they investigate the reasons for

incorrect implementation of the ESMP or ESS; investigate whether any serious negative impacts have resulted; discuss these with the SNA and with stakeholders; and make recommendations to correct the problem, including redress to affected people where appropriate. In serious cases the safeguards officers may recommend that the applicant halt further project financing to the SNA until the problem is resolved and compliance with the ESS policy and ESMP can be assured in future.

84. The safeguards officers prepare a quarterly E&S summary report and an annual report that should include number, type and location of project activity sites inspected; number of projects found compliant with the ESMP and ESS policies; number of projects where violations of the ESMP and ESS policies were found; and actions taken to correct violations of the ESMP and ESS policies. The annual E&S monitoring report then summarizes general issues identified with implementation of the ESS policy and recommendations, including strengthening of the ESS policy and ESRM guidelines, additional resources, training or other actions needed. The relevant staff have previously undergone training on E&S matters and further training on the E&S policy and ESRM guidelines is planned for later in 2019.

85. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for a maximum E&S risk category B/I-2 projects/programmes.

### 3.3 Gender

86. The applicant provided its Gender Policy entitled "Gender Equality for Sub-National Democratic Development", approved in 2018, which is in line with the GCF Gender Policy. The aim of the applicant's policy is to ensure management, arrangement and delivery of public services in an effective and socially equitable manner through integrating gender into all aspects and levels of activity within the framework of the implementation of subnational democratic development (decentralization and deconcentration) reforms. The applicant provided a gender checklist to be applied when implementing its Gender Policy.

87. One of the key strategies of the Gender Policy is to develop programmes, projects, activity plans and budgets that respond to gender equality needs. The main activities the strategy promotes include:

- (a) Development of guidelines, forms and procedures for studying, preparing, procuring and implementing infrastructure projects and service projects that meet the needs of vulnerable groups as well as promoting gender equality;
- (b) Use of gender data (segregated by gender, age, group, status and so on) to analyse the impacts on gender that may arise from the implementation of projects or development work at the subnational level;
- (c) Ensuring a gender balance in the participation of both men and women in the design of projects and programmes;
- (d) Reviewing and fully responding to the need for the elimination of gender inequality and for the promotion of inclusion in the description of the vision, purpose, goals and strategies as well as components of the national programmes;
- (e) Ensuring that monitoring and evaluation of project activities and other tasks of the programmes clearly define the focus and ensure a review of the impacts on gender and inclusion;
- (f) Ensuring that the development and implementation of medium- and long-term activity plans and budgets of the programmes take into account and support gender mainstreaming and women's empowerment;

- (g) Coordination and collaboration with development partners, civil society organizations and other projects to implement the activities that respond to gender equality needs;
- (h) Strengthening cooperation and support for consultations and dialogues related to gender equality at the subnational administration level through broadcast media or other events; and
- (i) Compilation and wide dissemination of good practices related to gender equality promotion.

88. The applicant provided an organigramme, terms of reference and curriculum vitae of its gender experts, which demonstrate that the applicant has sufficient capacity to implement its Gender Policy. The applicant indicated that further training will be provided to all of its staff, including the national institutions and SNA, once accredited.

89. The applicant provided two project documents (on sustainable resilient livelihoods financed by the Global Environment Facility and a small holders project co-financed by the International Fund for Agriculture Development and Asian Development Bank) with specific reference to women and men who have benefitted from climate change projects. The applicant's projects provide evidence that projects to which the entity lends benefit both men and women equitably. Furthermore, the projects are linked to climate change and also have non-discriminatory practices in terms of benefits and remuneration for both men and women employees.

90. The AP finds that the applicant's Gender Policy, procedures and capacities, supported by evidence of its track record, fully meet the requirements of the GCF Gender Policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

91. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy. The applicant only partially meets the requirements of the GCF basic fiduciary standard on key administrative and financial capacities, because a number of important activities contained in its own policies and procedures are not in place. These include organizational risk management and oversight of key activities by the applicant's Audit and Ethics Committee. Investigative procedures relating to prohibited practices and procurement could not be demonstrated because the applicant stated that it has not received allegations and complaints in the last three years despite the country ranking low according to the Transparency International ratings. The applicant also only partially meets the GCF specialized fiduciary standard for project management. In order to fully meet this standard the applicant must fulfil the following requirements: develop a project management manual that addresses project design, appraisal, implementation and project closure; include in its M&E manual a section on independent project evaluation; develop a project evaluation disclosure policy; and provide evidence of the effective implementation of its project risk management framework. Further, the applicant partially meets the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms, because validation of the effective implementation of its "Manual for Performance Based Grants to Sub-National Administrations" is required;

- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy, the interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information in relation to the medium E&S risk (category B/I-2). As the applicant's ESS policy and ESRM guidelines were developed only recently some of the required elements were missing:
- (i) The applicant could not provide evidence on implementation of the policy and guidelines in terms of management of E&S mitigation measures, and related monitoring and reporting;
  - (ii) The applicant needs to conduct an external audit of its ESMS;
  - (iii) The applicant does not have an external communication channels such as a website to receive, respond and register E&S-related complaints;
  - (iv) The applicant does not have a track record of implementing its E&S information disclosure policy in line with the GCF Information Disclosure Policy requirements on the disclosure of E&S information for E&S risk category B/I-2 projects/programmes; and
  - (v) The applicant has yet to develop a guide on an independent grievance redress mechanism at its institutional level and the project level (i.e. applicable to its executing entities' projects), including a register to record grievances and their responses, for GCF-funded projects/programmes; and
- (c) The applicant has demonstrated that it has competency, policies and procedures to implement its gender policy, which is found to be consistent with the GCF Gender Policy, and has demonstrated that it has experience with gender consideration in the context of climate change.

## 4.2 Recommendation on accreditation

92. The AP recommends, for consideration by the Board, applicant APL090 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** micro;<sup>12</sup>
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management; and
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)<sup>13</sup>); and
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess

<sup>12</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>13</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:

- (i) Conditions to be met prior to the signature of the accreditation master agreement during Stage III of the accreditation process:
  1. Provision by the applicant of a detailed implementation plan with specific milestones and implementation dates for all the policies and procedures contained in the applicant's Operational Policies and Procedures Manual, the Internal Audit Manual, the project risk management framework, the Monitoring and Evaluation Manual and the Manual for Performance-Based Grants to Sub-National Administrations; and
  2. Provision by the applicant of the terms of reference, to the satisfaction of the AP, for the procurement of an independent entity, preferably a recognized external audit firm, that will periodically verify whether the execution of the following is appropriate:
    - a. Implementation plan referenced in paragraph 92(b)(i)(1) above; and
    - b. Implementation of the actions contained in the document titled "Roadmap for enhance NCDs to manage fund from Green Climate Fund" provided by the applicant to the AP via email on 11 September 2019.

The terms of reference shall include an assessment of the effectiveness of the Audit and Ethics Committee per its terms of reference contained in the OPP Manual (part II, chapter 22) and contained in the Employees Code of Conduct (part I, chapter 1); and the chapters on fraud and corruption (part II, chapter 16) and prohibited practices (part II, chapter 17);

- (ii) Conditions to be met prior to the submission of the first funding proposal to GCF:
  1. Provision by the applicant of evidence in the form of an executed legal agreement demonstrating that it has procured an entity in accordance with the terms of reference identified in paragraph 92(b)(i)(2) above;
  2. Provision by the applicant of the project management manual approved by the applicant's board that addresses project design, appraisal, implementation and project closure;
  3. Provision by the applicant of procedures approved by the applicant's board for the independent evaluation of projects/programmes. The procedures may be included in the applicant's Monitoring and Evaluation Manual;
  4. Provision by the applicant of a project evaluation disclosure policy that provides the guidelines for the public disclosure of final evaluation reports for GCF-funded projects/programmes;
  5. Provision by the applicant of a procedure adopted by the applicant's board on the establishment of an institutional grievance redress mechanism;

6. Provision by the applicant of an updated ESS policy containing the requirements for the applicant's executing entities to establish a grievance redress mechanism at the project/programme-level; and
  7. Provision of evidence by the applicant on the establishment of an external communication system, which may include a website, to receive, register and respond to any E&S-related complaints;
- (iii) Conditions to be met with the submission of the first funding proposal to GCF that is categorized as E&S risk category B/I-2:
1. Provision by the applicant of an environmental and social management plan including an E&S monitoring plan for the first funding proposal to GCF that is categorized as E&S risk category B/I-2; and
  2. Provision of evidence by the applicant on the disclosure of the environmental and social management plan for the first funding proposal to GCF that is categorized as E&S risk category B/I-2 consistent with the requirements of the GCF Information Disclosure Policy for category B/I-2 projects/programmes;
- (iv) Condition to be met on a semi-annual basis for five (5) consecutive years, starting with the calendar year 2020:
1. Provision by the applicant of semi-annual verification and progress reports conducted in accordance with the terms of reference identified in paragraph 92(b)(i)(2) above; and
- (v) Condition to be met within three (3) years of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's environmental and social management system, which shall include examples of its application and of lessons learned.
93. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 92 above, and agrees to the recommendation.

### 4.3 Remarks

94. The applicant may wish to:
- (a) Seek, through a Readiness and Preparatory Support Programme proposal made by the national designated authority, support to address the accreditation conditions identified in paragraphs 92(b)(i) and 92(b)(ii)(2)–(7) above; and
  - (b) Consider applying the project evaluation disclosure policy referred to in paragraph 92(b)(ii)(4) above to all projects/programmes (e.g. not only GCF-funded projects/programmes as required in the condition) such that the information contained in the project evaluation reports can be used as a valuable input for the design and implementation of other projects/programmes with similar objectives. Furthermore, the disclosure of these reports greatly enhances transparency of project implementation.

## Annex XVI: Accreditation assessment of applicant 091 (APL091)

### I. Introduction

1. Applicant 091 (APL091), CRDB Bank PLC, is a national, private sector financial institution based in the United Republic of Tanzania. Its mission is to provide competitive and innovative financial solutions while delivering a sustainable contribution to the society. In addition, with its vision of being a leading financial services provider in the country, the applicant promotes responsible citizenship, sustainability and social consciousness. The applicant recognizes the urgent need to address causes and consequences of climate change and has been undertaking various climate change-related projects and programmes within the context of the United Nations Framework Convention on Climate Change. By becoming accredited to GCF, the applicant aims to catalyse low emissions and climate resilient development by implementing various projects with grants, loans and other fit-for-purpose bank products.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 26 September 2017. Accreditation fees were received from the applicant on 18 December 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 20 December 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority or focal point nomination for its accreditation application from the United Republic of Tanzania;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including USD 250 million for an individual project or an activity within a programme”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as “Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

## 2.1 Legal status, registration, permits and licences

3. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is registered under the Tanzania Revenue Authority (Reference No. 100-476-541), and it provided documents to demonstrate its legal status.

## 2.2 Institutional presence and relevant networks

4. The applicant, which has a network of 260 branches, 455 microfinance partner institutions, 11,000 Bank Agents (registered business individuals and companies that offer basic banking products and services within CRDB Bank network within a pre-determined threshold), 12 mobile branches and online banking services, offers a wide range of services to its clients. Such services include corporate business, retail, small and medium-sized enterprises, business insurance, agent banking and wholesale microfinance services. In addition, the applicant continuously provides both financial and non-financial support to promote sustainability and social consciousness, particularly in the areas of environment, education and health.

5. The applicant has a strong commitment to help the United Republic of Tanzania achieve its nationally determined contribution. It intends to undertake projects or programmes financed by GCF resources in key sectors that would contribute to 10 to 20 per cent emissions reductions relative to the business as usual scenario by 2030 in the United Republic of Tanzania, such as renewable energy, agriculture, livestock, coastal and marine environment, water resources, forestry and tourism.

6. To advance the objectives of GCF, the applicant aims to implement projects/programmes that drive a paradigm shift from current business practices, which include the following projects and programmes:

- (a) Increasing renewable energy in the national grid power mix through construction of geothermal power plants, gas turbine combined power plants, and Malagarasi river hydropower plants, among others;
- (b) Improving mass mobility through constructing bus rapid transit systems and central railway lines; Introducing climate-smart housing to provide modern and sustainable housing estates fast growing cities in the United Republic of Tanzania (e.g. Dodoma government city, Dar es Salaam, Mwanza, Arusha, Unguja);
- (c) Increasing carbon sequestration through afforestation and forest conservation by promoting privately and public owned forest programmes;
- (d) Supporting the National Food Reserve Agency to increase food security through addressing local food shortages; and
- (e) Increasing climate resilience in globally renowned national parks in selected areas of Tanzania (e.g. Kilimanjaro, Ngorongoro, Serengeti, Tanager, Ruaha, Selous, Burigi, Minziro and Mkomazi).

## 2.3 Track record

7. The applicant, as a commercial bank, has rich experience in on-lending and blending activities, such as extending loans and establishing guarantee facilities to implement projects across all sectors of the Tanzanian economy. In addition, the applicant has experience in introducing innovative financial products and services to attract finance from private banking and investors, as well as to provide finance to small and medium-sized enterprises.

8. In addition, the applicant has a track record in financing various sectors of agriculture, fisheries, forestry, tourism and hotels, transportation, energy, water, and health. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following:

- (a) USD 51 million out of USD 200 million (in loans) for an infrastructure project to construct Terminal 3 airport in Dar es salaam, Tanzania;
- (b) USD 1.04 million (in equity) to the mortgage financing scheme for a housing project to support enhancing livelihood through urban development;
- (c) USD 3.5 million (in guarantees) for a water supply and sanitation project to support expansion of water distribution network along the lake Victoria surrounding regions in Tanzania.

### III. Stage II accreditation review assessment

9. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against GCF standards.

10. As part of this assessment, the AP consulted the applicant's website to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters in Dar es Salaam, the United Republic of Tanzania. During the site visit the AP assessed the applicant's various policies and procedures and conducted a number of interviews with the applicant's staff to determine whether the applicant's policies and procedures meet GCF accreditation standards.

## 3.2 Fiduciary standards

### 3.2.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

11. The applicant has a governance structure suitable for a full-service commercial bank. An organizational chart lays out the institution's key areas of authority, responsibilities and reporting lines. The Board of Directors is aided by several board committees of which the Audit and Risk Committee is the most prominent. It assists the Board of Directors in fulfilling its oversight role with regard to risk governance, financial reporting, system of internal control, management of internal and external audits and regulatory compliance. Terms of reference of the Audit and Risk Committee and sample minutes of its meetings show that the Committee carries out its functions in accordance with its mandate.

12. The applicant has a process for setting its short- and long-term objectives. The process is managed by a fully-fledged Department of Strategy and Innovation headed by a Director of Business Transformation. A copy of the applicant's current five-year strategic plan (2018–2022) was provided and reviewed by the AP.

13. The applicant has an independent Internal Audit Department headed by a Director who reports to the Board of Directors through the Audit Committee. The work of the Department is guided by an internal audit charter and a comprehensive internal audit manual, which is revised regularly to keep it in line with international best practice. A risk-based audit workplan is prepared annually and approved by the Audit Committee. Sample reports of internal audits carried out in the past three years were provided along with additional information that shows that implementation of audit recommendations is actively followed up by both management and the Audit Committee, and that the internal audit function is carried out in accordance with internationally recognized standards.

14. The applicant has a process to monitor and assess the overall effectiveness of the internal audit function. Performance of internal audit is assessed by the Audit Committee annually. In addition, the Committee now requires that an independent external assessment of the effectiveness of the internal audit function be carried out after every five years. Such an assessment is scheduled for the first quarter of 2020.

15. The applicant's annual financial statements are audited by independent external audit firms. The audited financial statements for the past two fiscal years were provided and show that the applicant continues to register strong financial performance. The external auditors' reports confirm that the applicant's financial statements were prepared in accordance with the International Financial Reporting Standards and the applicable requirements of the Companies Act and the country's central bank.

16. The applicant has a well-documented internal control framework that defines the roles for the Board of Directors, internal oversight bodies, management, internal and external auditors, and other personnel. Risk assessment processes are in place to identify, analyse and provide a basis for proactive risk responses in each of the operational areas. Risks are assessed at multiple levels and plans of action are in place for addressing risks that are deemed significant.

17. The procedures for payment of the applicant's expenditures and the system/processes for disbursement of loans are laid out in the applicant's Financial Policy and Credit Operating Manual, respectively. Evidence of a system for periodic compliance check/audit of the payment and disbursement system was provided.

18. The applicant has appropriate procurement policies and guidelines for promoting economy, fairness, transparency and efficiency in procurement. The guidelines include written standards and procedures that specify procurement requirements, accountability and authority to take procurement actions, and guidelines for different types of procurement, such as consultants, contractors and service providers. The applicant provided examples of two separate recent major procurements undertaken and a copy of an audit of procurement, which demonstrate compliance with the applicant's procurement policies, procedures and guidelines. The applicant has a process for resolution of procurement disputes, which the AP finds meets the GCF initial basic fiduciary standards regarding procurement. The AP found that the applicant's procurement practices are also consistent with recognized international practices.

19. To meet GCF initial basic fiduciary standards regarding procurement, the applicant has revised its procurement procedures to incorporate provisions for assessing procurement practices of the entities that would execute GCF-funded projects/programmes. However, evidence of assessments of procurement procedures of beneficiary institutions was not provided.

20. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, do not fully meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gaps identified in paragraphs 14 and 19 above are addressed in the corresponding conditions for accreditation in section 4.2 of this document.

### 3.2.2 Section 4.2: Basic fiduciary standards: transparency and accountability

21. The applicant has a Code of Conduct and Ethics, which applies to its staff and all parties with which it has business relationships, such as consultants and service providers. The Code of Conduct and Ethics is shared with all staff through the applicant's intranet, to which all staff have access. It is also issued to all third parties who have a business relationship with the applicant, who are also required to sign an anti-bribery commitment form.

22. The applicant has recently put in place a “disciplinary framework” through which oversight of the ethics function is exercised. Its main objective is to ensure that misconduct/ethical issues are managed and dealt with in a fair, transparent and consistent manner.
23. A comprehensive Conflict of Interest Policy has recently been put in place. Its main objective is to effectively identify, disclose and manage any actual, potential or perceived conflicts of interest in order to protect the institution and manage associated risks. The Policy provides examples of what constitutes a conflict of interest, and all staff are required to sign a declaration of conflict of interest annually.
24. The applicant has a clear policy on zero tolerance for fraud, financial mismanagement and other forms of malpractice. The policy is published on the applicant’s website. Furthermore, the policy is communicated to consultants, contractors and other relevant parties in the form of an anti-fraud declaration they are required to sign as a condition of business engagement with the applicant.
25. The applicant provided a copy of a revised Whistle-blower Policy that incorporates mechanisms for protecting whistle-blowers who report violations. The Policy includes information, which is publicized on the applicant’s website, on the mechanism for reporting suspected ethics violations, misconduct and other forms of malpractice.
26. The applicant has an investigation function under which cases of reported or suspected fraud and other forms of misconduct are investigated by the Internal Audit Department. The information provided shows that the function has adequate procedures for processing cases of fraud and mismanagement, undertaking the necessary investigative activities and generating periodic reports for information and follow-up by the ethics function. The investigation function has a defined process for periodically reporting case trends. Information on cases of fraud investigated and disposed of in the past three years was provided.
27. The applicant has a robust Anti-money-laundering and Countering the Financing of Terrorism (AML-CFT) Policy, which was revised in 2018 to align it with international best practice. The Policy is guided by:
- (a) The country’s Anti-Money Laundering Act, 2006, the Prevention of Terrorism Act, 2002; and the Banking and Financial Institutions Act 2006;
  - (b) Regulations, guidelines and directives issued by the county’s central bank and the Financial Intelligence Unit; and
  - (c) The International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation of the Financial Action Task Force.
28. In accordance with the central bank’s regulations, the applicant has a designated Compliance Officer whose duty is to ensure that the AML/CFT Policy is effectively implemented and complies with applicable laws and regulations. The Internal Audit Department is required to conduct an annual review of the applicant’s anti-money-laundering controls process and provide a report to the Board on the level of compliance with the requirements of the applicant’s AML/CFT Policy and the relevant anti-money-laundering legislation.
29. Sound “know-your-customer” (KYC) due diligence procedures are in place to combat money laundering and financing of terrorism. The procedures guide the applicant’s staff in conducting due diligence to determine the identity of customers, the legitimacy of their businesses and the sources of funds used. The procedures require that a full KYC process is completed before opening an account for any individual or business enterprise. As part of the due diligence process, all new accounts are classified as either high, medium or low risk. Accounts classified as high risk are flagged and subjected to more intensive monitoring. The procedures further require reporting of suspicious and unusual transactions to the central bank and the Financial Intelligence Unit. The applicant regularly monitors electronic funds transfers

to ensure that funds are received from bonafide sources and paid to the intended beneficiaries. Samples of reports on KYC due diligence carried out and monitoring reports on electronic fund transfers were provided.

30. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>4</sup> GCF Policy on Prohibited Practices<sup>5</sup> and GCF AML/CFT Policy.<sup>6</sup>

### 3.2.3 Section 5.1: Specialized fiduciary standard for project management

31. The applicant has a set of well-documented policies and procedures that guide its operations. These include:

- (a) A Credit Policy that lays out the framework/guidelines for appraisal of projects financed by the applicant; and
- (b) Several policies relating to management of resources, investments, risk, asset and liability management, project closure and independent evaluation of project results.

32. These policies are supplemented by a newly developed Project Appraisal and Management Procedures Manual, which includes:

- (a) Appraisal templates/formats for use during the credit appraisal process;
- (b) Procedures for preparation of project implementation plans, project budgets and reporting guidelines; and
- (c) Procedures for reporting on project results achieved and lessons learned.

33. Sample project appraisal documents, implementation plans, and monitoring and evaluation reports provided by the applicant demonstrate its capacity to effectively use the appraisal guidelines and assess project risks and integrate corresponding mitigation strategies at the project appraisal stage.

34. The applicant has a monitoring and evaluation function with well-defined roles and responsibilities. Monitoring and evaluation are independent of the project appraisal function. The applicant also has a Policy on Independent Evaluation of Project Outcomes and Results. The Policy requires that the body undertaking such evaluation is completely independent and not accountable for the particular project. As the applicant does not have an in-house independent evaluation unit, independent evaluation of projects is carried out by external firms. A copy of the terms of reference for independent evaluation of projects and copies of independent evaluation reports were provided. These demonstrate that the applicant's evaluation function follows impartial and widely recognized professional standards and methods.

35. The applicant has a risk management function handled by the Risk and Compliance Department. The function is segregated from the project implementation and supervision functions, which are the responsibility of the Credit Department. As part of risk management, the applicant has a project-at-risk system for monitoring of projects to detect potential project problems at an early stage to ensure appropriate remedial actions are taken in a timely manner. Examples were provided of project problems identified and remedial actions taken; these demonstrate effectiveness of the applicant's risk management function and the project-at-risk system.

36. To ensure transparency in the use of funds provided by GCF for projects/programmes, the applicant has recently put in place an Information Disclosure Policy with provisions for

<sup>4</sup> Decision B.BM 2018/21 and annex I thereto.

<sup>5</sup> Decision B.22/19 and annex XIV thereto.

<sup>6</sup> Decision B.18/10 and annex XIV thereto.

publication of project monitoring and evaluation reports, project results and beneficiaries. However, effective implementation of the Policy can only be demonstrated during and at the end of implementation of a GCF-funded project/programme.

37. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF specialized fiduciary standard for project management. However, the applicant has not yet demonstrated implementation of these policies and procedures as they are new. This gap, identified in paragraph 36 above, is addressed in the corresponding condition for accreditation in section 4.2 of this document.

#### 3.2.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

38. The applicant did not proceed with applying for assessment against this standard following the recommendation of the AP. Upon review by the AP of the information provided by the applicant, the AP found that the applicant did not have a sufficient track record or the policies and procedures required for accreditation for this standard at this time.

#### 3.2.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees**

39. The applicant's policies and procedures for its on-lending, blending, equity investments and guarantee operations are contained in two main documents: the Credit Policy and a credit operating manual. The two main policies are supplemented by several other operational policies including:

- (a) A Financial Policy that guides management of the applicant's financial resources;
- (b) An Investment Management Policy;
- (c) A Limit Policy that guides the level of investments in treasury bonds;
- (d) An Asset and Liability Management Policy; and
- (e) A Financial Risk Management Policy.

40. The Financial Risk Management Policy has provisions for instituting and implementing risk management strategies with a focus on credit, liquidity, foreign exchange and operational risks. The applicant provided information that shows that the major financial risk management strategies are effectively implemented.

41. In processing credit applications, the applicant uses an internal credit rating system and a credit scoring system, which are designed to suit the country's lending environment while reflecting best internationally acceptable lending practices.

42. The applicant provided:

- (a) Sample due diligence reports in respect of its on-lending and blending operations. The reports show that the due diligence process places emphasis on the borrowers' track record in project management, financial and economic viability of the proposed project, and capacity to service the financing provided;
- (b) Guidelines and procedures for managing its investment portfolio and to guarantee operations;
- (c) Copies of loan and equity portfolio management reports;
- (d) Data relating to three projects that provide evidence of the advantages to final beneficiaries of the projects it finances; and
- (e) External annual audits of its financial statements.

43. Based on the information provided as indicated above, the AP has found that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF in line with the GCF specialized standard for on-lending and/or blending for loans, blending, undertaking equity investments and providing guarantees.

44. The applicant has recently put in place an Information Disclosure Policy with provisions, among others, for providing the public with information on: its decisions on GCF-funded on-lending and/or blending operations, and beneficiaries and results of GCF-funded projects. However, the applicant has not demonstrated effective implementation of this Policy as required by the GCF specialized fiduciary standard for on-lending and/or blending for loans, blending, undertaking equity investments and providing guarantees since the Policy is new and applicable to GCF-funded projects/programmes.

45. To support its lending operations the applicant mobilizes resources from several institutions. The applicant has raised a total of USD 300 million from the African Development Bank, European Investment Bank, International Finance Corporation (IFC) and Kreditanstalt für Wiederaufbau.

46. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, undertaking equity investments and providing guarantees. However, the applicant lacks demonstration of implementation of these policies and procedures as they are new. The gap identified in paragraph 44 above is addressed in the corresponding condition for accreditation in section 4.2 of this document.

### 3.3 Environmental and social safeguards standards

#### 3.3.1 Section 6.1: Environmental and social policy

47. The applicant's environmental and social management system (ESMS) comprises the environmental and social risk assessment (ESRA) manual adopted in January 2017. The ESRA manual states that the applicant is committed to promoting environmentally and socially sound and sustainable development in the full range of its credit products. The applicant confirmed to the AP during the site visit that environmental and social (E&S) sustainability is a fundamental aspect of achieving outcomes consistent with its Credit Policy and recognizes that projects that foster E&S sustainability rank among the highest priorities of its activities.

48. The applicant adheres to its national environmental regulations, primarily the Environmental Management Act of 2004 and related Environmental Impacts Assessment and Audit Regulations of 2005, as well as IFC Performance Standards 1 to 8 (PS 1-8). The applicant's Credit, Environmental and Social Risk Unit is responsible for overseeing the implementation of the ESRA manual. The applicant's Credit Policy also defines the E&S safeguards applied during lending procedures. The Credit Policy states that no borrower will qualify for credit if it does not adhere to E&S standards that closely align to PS 1-8. The Credit Policy is communicated internally to all staff and training for the whole organization is arranged annually.

49. The AP finds that the applicant's ESRA manual, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy<sup>7</sup> and interim environmental and social safeguards (ESS) standards for maximum E&S risk category A/I-1 projects/programmes with respect to PS 1-8.

#### 3.3.2 Section 6.2: Identification of risks and impacts

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<sup>7</sup> Decision B.19/06 and annex X thereto.

50. The ESRA manual describes the applicant's institutional process to guide its staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project life. The applicant's categorization process starts from the project origination stage whereby a lending officer fills out an E&S checklist, which is included in an annex of the ESRA manual. The checklist is reviewed through all stages of the credit approval process. The ESRA manual applies to all three financing instruments, namely loans, equities and guarantees.

51. The applicant provided samples of E&S risks and impacts identification and assessment for projects in E&S risk category A for forest management and gold mining; for category B on airport development and a road project; and for category C on software development and the purchase of construction material, in line with PS 1-8 of the GCF interim ESS standards. The applicant provided an illustrative list of projects and descriptions from the past three years and their risk category, including an indication of who within the organization made the risk categorization determination for E&S risk category A/I-1, B/I-2 and C/I-3.

52. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.3 Section 6.3: Management programme

53. The ESRA manual describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process, with more details in annexes of the ESRA manual. This process includes follow-up and site visits for medium (E&S risk category B/I-2) and high risk (E&S risk category A/I-1) projects, review of a client's monitoring reports, ensuring grievance mechanisms are in place in projects executed by a client, and preparing E&S compliance reports.

54. The ESRA includes a policy statement requiring audit of the effectiveness of the applicant's institution-wide ESMS. The IFC and Commonwealth Development Corporation Group Limited, who are part of the shareholders of the applicant's organization, have frequently reviewed the applicant's ESMS. The applicant provided a sample of the international investor/shareholder reports on the favourable review of the audit of the applicant's ESMS. Currently, the IFC, in collaboration with the Commonwealth Development Corporation Group, are primarily responsible for checking the effectiveness of the applicant's ESMS and conduct periodic site visits to review compliance of the applicant's ESMS. The applicant provided a sample of an E&S performance report and an E&S monitoring report submitted to the IFC.

55. The applicant provided three environmental and social impact assessment (ESIA) documents for E&S risk category A projects (for gold mining, granite mining, tourism and a recreational facility) and two environmental and social management plans (ESMPs) for E&S risk category B/I-2 projects (ceramic tiles construction and a fuel station). The applicant's sample project documents also cover examples of its intermediary operations I-1, I-2 and I-3. The applicant also provided related due diligence reports as evidence of its internal review and approval process of these documents in line with its ESRA manual. The applicant has indicated that it is willing to conduct an audit of the application of its ESMS for GCF-funded projects once accredited.

56. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.4 Section 6.5: Monitoring and review

57. The ESRA manual describes the applicant's monitoring and review procedures that instruct staff on how to systematically track completion of mitigation and performance

improvement measures, including roles and responsibilities. The applicant uses an Excel-based tracker, which captures various issues identified on E&S risks and impacts for different projects/sectors with implementation status and timeline for ensuring completion of mitigation and performance improvement measures. Supervision/monitoring is done through periodic site visits by the E&S Risk Analysts from the applicant's E&S unit and/or Lending Officers from its business units. E&S issues identified during supervision are shared with all staff dealing with lending for common understanding regarding E&S management on projects financed by the applicant. The loan facility letters provided by the applicant to project loan borrowers clearly indicate all the environmental laws that borrowers are required to comply with during the entire life of the project. The same applies to the applicant's equity and guarantee operations. This information is also part of the E&S dissemination to the public. The applicant provided a sample of a loan facility letter titled "standard terms and conditions", which refers to E&S compliance clauses. The same were also provided for the applicant's equity and guarantee operations.

58. The applicant provided sample E&S project monitoring and evaluation reports for E&S risk category A/I-1 projects (for a forest management project, a mining project and a tourism and recreational project). The applicant provided sample external E&S audit reports on projects it has implemented that formed the basis for the update to its ESMS.

59. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.5 **Section 6.6: External communications: consultations, information disclosure and grievance redress mechanism at the institutional level**

60. The applicant provided a link to its corporate website to receive and register external communications, including E&S related complaints and grievances on projects from the public. The website is used to screen and assess issues raised and determine how to address them as well as to provide, track, and document responses. The applicant provided a documented, "Customer Complaints Redressal Procedure", which describes its grievance redress mechanism procedure on who and how to handle complaints from the point of receiving, addressing, re-opening and closure. The ESRA manual includes information on its external communications channels, including telephone numbers, call boxes, and email contact addresses, among others. All grievances received in the field would be received by the Manager of the Credit Operation, located at the applicant's branch offices in the field. The grievances would then be forwarded to the Credit, Environmental and Social Risk Unit at the Risk and Compliance Department for its analysis and response. The Director of Risk and Compliance at the applicant's headquarters is responsible for managing the grievance redress mechanism in an independent manner.

61. The applicant has a customer complaint register in all its branches where complaints of all kinds and levels are registered. The applicant indicated that currently no complaints related to E&S, and registered as such, had been directly sent to National Environment Management Council. The applicant provided examples of cases of E&S related inquiries/complaints that have met successful closure. The applicant has established a register in order to capture E&S related enquiries/complaints for GCF-funded projects/programmes once accredited.

62. The ESRA manual includes the policy statement on the requirement for the applicant and its executing entities to disclose E&S assessment documents in line with the GCF Information Disclosure Policy, specifically for E&S risk category A/I-1 and B/I-2 projects/programmes. The ESRA manual also includes a requirement for the applicant's executing entities to include a grievance redress mechanism in projects it finances.

63. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track

record, fully meets the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information for maximum E&S risk category A/I-1 projects/programmes.

### 3.3.6 Section 6.4: Organizational capacity and competency

64. The ESRA manual contains the applicant's organizational structure, which defines roles, responsibilities, reporting lines and authority. Detailed activities of each of the responsible officers for ESMS implementation are also provided. Credit, Environmental Risk Assessment (ERA) is a unit in the Risk and Compliance Department headed by the senior manager and assisted by five staff members specializing in the two key functions of Credit and E&S risk management. The CESR Unit is independent from the risk taking unit i.e Credit team and reports directly to the Director of Risk and Compliance who has an overall responsibility to ensure control oversight and implementation of the Credit Policy and ESRA manual and to ensure the quality of the applicant's loan, equity and guarantee portfolios and all credit management functions from project origination to collection/recovery. The Director of the Credit Department which is responsible for the day to day management of the credit portfolio is responsible for carrying out routine and periodic performance appraisal for the Credit Analyst Team.

65. The applicant's specific procedures for coordination of work and information sharing among investment (business) units, credit and legal officers in respect of the organization's E&S requirements and ESMS are clearly elaborated in the flow chart for the E&S risk assessment and monitoring procedure in the ERA manual.

66. The ESRA manual describes the E&S responsibilities of the CESR Unit. The applicant also provided curricula vitae of the staff in the CESR Unit of the Risk and Compliance, including their training conducted by IFC and a list of participants as well as samples of their work demonstrating that they have a good understanding of the PS 1-8.

67. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

## 3.4 Gender

68. The applicant provided its May 2019 Gender Policy, including an action plan. As the Gender Policy was adopted just recently, the applicant provided a plan for conducting gender training for its staff; this is planned for later in 2019 and early 2020.

69. The applicant is committed to promoting gender mainstreaming as a means of fostering poverty reduction, economic development and gender equality in all its operations. The focus is on implementation and integration of the gender issues in all its functions and activities in terms of accountability, learning and engendering climate change. The vision includes creating opportunities for women, disadvantaged and marginalized people, and communities so that they can participate in, and benefit from, the development of their communities. The applicant believes that inclusive growth and social cohesion will lead to peaceful, stable and vibrant societies. The applicant and its implementing partners will strive to uphold women's rights as universal human rights and to attain the goal of gender equality and the equal treatment of women and men, including equal opportunities for access to resources and services, in all its operations through a gender mainstreaming approach.

70. This Gender Policy reaffirms the applicant's commitment to: reduce gender disparities; transform gender relations; promote women's empowerment; strengthen organizational structures and systems for gender equality by incorporating them into policies, plans, strategies

and programmes; redress gender gaps and inequalities between men and women; and guide the applicant's different business units on gender issues.

71. The procedures in the Gender Policy facilitate gender analysis of proposed projects and programmes, to ensure that gender issues are considered at all the appropriate stages of the project cycle, including identification, preparation, appraisal, implementation and evaluation. A special loan programme and product were established by the applicant to provide loans to women with less stringent conditions. The applicant has a special account that is specifically designated to encourage a saving culture among women and that supports women's economic empowerment activities.

72. The applicant provided descriptions of three lending operations (a hydroelectric power project, forest management project and sugar refinery project), which contain specific reference to the numbers of men and women who have benefited from these projects and outlined how this was achieved. The applicant's project examples clearly demonstrate how it links gender and climate change. The applicant's Credit Policy requires that non-discriminatory practices are included in its projects/programmes, on-granting and on-lending, among others. The sugar production company, one of the applicant's borrowers, adopts non-discriminatory practices in terms of benefits and remuneration for both male and female employees.

73. The AP finds that the applicant's Gender Policy, procedures and capacities, supported by evidence of its track record, fully meet the GCF Gender Policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

74. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy. The applicant partially meets the requirements of the GCF basic fiduciary standards on key administrative and financial capacities, specialized fiduciary standard for project management, and specialized fiduciary standard for on-lending and blending for loans, equity and guarantees. Relevant gaps relate to a lack of demonstration of the applicant's Information Disclosure Policy and are identified in paragraphs 14, 19, 36 and 44 above and are addressed in the corresponding conditions for accreditation in section 4.2 of this document;
- (b) The applicant meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the high E&S risk (Category A/I-1); and
- (c) The applicant has demonstrated that it has the competencies, policies and procedures to implement its Gender Policy, which is found to be consistent with the GCF Gender Policy, and has demonstrated that it has experience with gender considerations in the context of climate change.

### 4.2 Recommendation on accreditation

75. The AP recommends, for consideration by the Board, applicant APL091 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>8</sup> and small<sup>9</sup>);
  - (ii) Fiduciary functions:
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management; and
    - 3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/intermediation 2 (I-2)<sup>10</sup> and category C/intermediation 3 (I-3)<sup>11</sup>);
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Condition to be met prior to the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision of evidence by the applicant of an independent external quality assessment of the overall effectiveness of the applicant's internal audit function;
  - (ii) Condition to be met within one year of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision of evidence by the applicant, in the form of a report, on the assessment of procurement procedures and practices of executing entities in the first approved GCF-funded project/programme;
  - (iii) Condition to be met on an annual basis for two consecutive years starting from the date of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision of evidence by the applicant of the publication on the applicant's website of information on the periodic progress of the first approved GCF project/programme, including budget utilization; and
  - (iv) Condition to be met within one year of the closure of the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision of evidence by the applicant of the publication on the applicant's website of the final evaluation report, including information

<sup>8</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>9</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>10</sup> As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

<sup>11</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".



on project results and beneficiaries, for the first approved GCF project/programme.

76. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 75 above, and agrees to the recommendation.

## Annex XVII: Accreditation assessment of Applicant 092 (APL092)

### I. Introduction

1. Applicant 092 (APL092), Finanzas y Negocios Servicios Financieros Limitada (FYNSA), is a national private sector entity based in Chile. Its mission is to provide advisory services and solutions for financial, commercial and investment activities of clients through a deep understanding of the market. As a subsidiary of the financial holding company, the applicant has more than 30 years of financial experience and is structured into four areas: stock market brokerage, wealth management, asset management and financial advisory services, and business consultancy. The applicant has focused on various sectors, such as energy generation and access, energy efficiency, real estate, green buildings, and financial sectors.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system of the GCF on 18 August 2017. Accreditation fees were received from the applicant on 23 January 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 23 November 2018, and the applicant progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority/focal point nomination for its accreditation application from Chile;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** medium;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

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<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was registered under Santiago Commerce (Reference No. 13494) and provided a document to demonstrate its legal status.

## 2.2 Institutional presence and relevant networks

5. The applicant has a strong commitment to achieving Chile's nationally determined contribution. It intends to undertake projects or programmes in all areas that would contribute to a 35–45 per cent reduction in carbon emission intensity below 2007 levels in Chile as well as adaptation projects. The applicant aims to work on projects in the following areas:

- (a) Implementing a wastewater reuse system from submarine pipelines, which contributes to the adaptation of agriculture and other activities affected by permanent drought;
- (b) Promoting local action for renewable energy and energy efficiency projects;
- (c) Implementing a programme for the reduction in consumption of moist fuelwood by increasing efficiency in the production and commercialization of the fuel;
- (d) Utilizing financial mechanisms to promote energy technology renovations for existing residential houses, which would allow families to gain access to soft loans for the execution of various energy efficiency projects that generate energy savings in the houses; and
- (e) Developing a project in the Araucanía region to integrate waste management and transform waste to energy.

6. To advance the objectives of GCF, the applicant aims to implement projects that drive a paradigm shift from current business practices by screening projects based on the following criteria:

- (a) Potential for scaling up and replication;
- (b) Potential for knowledge and learning;
- (c) Contribution to the creation of an enabling environment; and
- (d) Contribution to the regulatory framework and policies.

7. In addition, the applicant aims to deploy its financial knowledge and expertise and work with the public sector through public-private partnerships to structure projects. Furthermore, the applicant already considered potential projects against the GCF investment criteria in response to the GCF request for proposals for mobilizing funds at scale, which include potential projects on wetland and resilience, buildings, geothermal projects, solar technology and electric buses.

## 2.3 Track record

8. The applicant has experience in on-lending and blending, such as investing in companies and projects through equity participation, using guarantees in projects and debt through investment funds. In addition, the applicant has experience in the innovative and flexible use of financial instruments to attract finance from private banking and investors as well as to provide finance to projects of small and medium-sized enterprises.
9. The applicant's track record in financing sustainable development and climate change-related projects in Chile to date includes the following:
  - (a) USD 108 million (in loans, equity and guarantees) for the Apoquindo 5400 Project in the areas of energy efficiency and green buildings;
  - (b) USD 34.82 million (in loans and equity) for the Inmobiliaria R3 S.p.A Project in the real estate sector;
  - (c) USD 95 million (in loans, equity and guarantees) for an individual activity within the Anpac and Fondo FYNSA Energia Programme to acquire equity of a medium-sized company and to build and operate run-of-the-river hydroelectric stations that use the natural energy potential of water; and
  - (d) USD 50 million (in loans and guarantees) for the project Fondo de Inversión FYNSA Renta Fija Privada I to provide financial access to micro, small and medium-sized businesses by acquiring private debts.

## III. Stage II accreditation review assessment

10. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the accreditation standards of the GCF.
11. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters in Santiago, Chile. During the site visit, the AP assessed various processes and procedures and conducted a number of interviews with the applicant's staff to determine whether the applicants' system meets the relevant GCF initial fiduciary standards and principles, environmental and social safeguards (ESS) standards and the GCF Gender Policy. During the site visit, the AP also piloted the use of the complimentary guidance for private equity funds developed by the Secretariat in cooperation with the AP.

### 3.1 Fiduciary standards

#### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

12. The applicant entity (FYNSA Financial Services) is a 100%-owned subsidiary of FYNSA group (FYNSA Holding or FYN S.A.). The governance structure of FYNSA Holding is based on the requirements of Chilean financial regulations. The main governing body of the group is the FYN S.A. Board (FYNSA Holding). It has seven directors who are the seven founders of the company. The group has four business areas: stock market brokerage; investment banking; wealth management and asset management. In addition, FYNSA Holding has a subsidiary in Peru that provides wealth management services to Peruvian clients. As a requirement of Chilean law, there is a firewall between the brokerage business and the asset management business. The companies FYNSA Brokerage (Finanzas y Negocios S.A. Corredores de Bolsa) and FYNSA Asset Management (FYNSA Administradora General de Fondos S.A.) are subsidiaries of FYNSA

Holding and have separate boards. The Board of FYNSA Brokerage has three members from the Board of FYNSA Holding plus one independent member, and the Board of FYNSA Asset Management has five members from the Board of FYNSA Holding plus two independent members.

13. All the overarching fiduciary, as well as ESS and Gender policies and procedures that are applicable to the applicant (FYNSA Financial Services) are approved at the FYNSA Holding Board level and are also applicable to FYNSA Asset Management Company and FYNSA Brokerage according to internal legal agreement. In the course of the AP assessment the applicant has developed several policies specifically for the GCF-funded projects: Ethics committee statutes, Investment Committee Statutes of GCF projects, Management Manual for GCF-funded projects, E&S Project management manual, E&S Safeguards Policy, Gender Policy. For the GCF-funding projects the applicant is planning to engage both with the FYNSA Asset management company and FYNSA Brokerage depending on the financial instruments (equity, loans or guarantees) used for the specific project and capacity required.

14. The brokerage operations are regulated by the Bolsa de Comercio (a stock exchange) and the Chilean financial regulator, La Comision para el Mercado Financiero (CMF). The asset management business is also regulated by CMF and is a member of the Asociación Chilena de Administradores de Fondos de Inversión, which is the Chilean association of investment fund managers. These regulators play an active role in the oversight of FYNSA operations.

15. Internal oversight of FYNSA is managed by four principal subcommittees of the Board: a new products committee; a vigilance committee, responsible for risk and external and internal audit; an investment committee; and a newly formed ethics committee. Each of these committees has both members from the Board of FYNSA Holding and independent members. In addition, each of the existing funds managed by the asset management arm has its own investment committee. FYNSA will create a separate investment committee within the three main subsidiaries: FYNSA Brokarege, FYNSA Asset Management, and FYNSA Financial Services for projects with GCF.

16. Under Chilean law, investment funds are required to have a tripartite oversight structure consisting of a management company, an Oversight Committee and an investors assembly, all of which report regularly to CMF. The management company must report to CMF, directly and periodically, all activities of the investment funds under its administration, providing financial and regulatory information on such funds. The Oversight Committee must report directly to CMF whenever requested to do so. It must have an odd number of members (at least three) who are independent of the management of the fund. The Oversight Committee must report to the investors assembly on the fulfilment of the investment policies of the fund, the internal statutes and the Chilean law applicable to the fund. The Oversight Committee also acts on behalf of investors and makes decisions in their best interests. The investor assembly must report to the CMF whenever requested to do so. FYNSA currently manages eight public investment funds.

17. FYNSA has a yearly cycle of setting objectives and key performance indicators, with associated budgets, for all business areas. The 2017–2010 business plan has been provided, together with updated budgets for 2018–2019. Financial statements are prepared using the International Financial Reporting Standards, and audited statements for 2014–2018 have been provided. FYNSA has a policy of changing its external auditor every two years. FYNSA management acknowledges there are trade-offs to changing auditors so regularly but value the greater oversight afforded by an auditor that is not relying on its familiarity with the business. Comprehensive financial statements are produced quarterly using an effective management information system.

18. Records of meetings of the Vigilance Committee have been provided together with the accounting manual and the internal audit manual. These demonstrate strong financial controls

and frequent and extensive oversight of both external and internal audit functions. The internal audit function follows international internal audit standards, with findings and recommendations reviewed and followed up on by the FYNSA Holding Board. Examples of internal audit reports have been provided as well as annual internal audit plans. The effectiveness of the internal audit function is monitored by both the external auditor and the stock exchange regulator. Examples of external auditors' management letters have been provided. They are addressed to the Chief Executive of FYNSA but are also sent to CMF, which requires progress reports on actions resulting from auditors' findings and recommendations. Overall, FYNSA has a robust and well-documented control framework as a result of its own internal policies and procedures and extensive external oversight from the financial regulators in Chile.

19. The FYNSA procurement manual has been provided together with details of two recent procurements. The manual was updated this year and is consistent with global standards for procurement and supply. It includes satisfactory oversight of executing entities and a procedure to capture and handle complaints. FYNSA has not to date had any complaints regarding procurements.

20. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

21. FYNSA has provided its code of ethics, which promotes a culture of fairness, accountability and transparency throughout the company. Staff are required to agree to the code of ethics as part of signing their contract of employment. The employment contract also requires staff to agree to the FYNSA crime prevention procedure manual, which has been provided and which demonstrates a policy of zero tolerance for fraud and corruption.

22. The robust procedures for reporting, reviewing and resolving potential conflicts of interest are addressed in the the FYNSA "Manual de Buenas Practicas Corporativo 2016" (manual of good corporate practices 2016). FYNSA has confirmed that it has not had any cases of serious conflicts of interest or breaches of its code of ethics in the last two years. Nevertheless, as a result of the GCF accreditation process, FYNSA has established an Ethics Committee to meet GCF standards and to follow best international corporate governance practices.

23. The investigation function is headed by a dedicated Crime Prevention Officer who has to report at least twice per year to the FYNSA Holding Board and to the regulatory authorities. Procedures are in place for whistle-blowers to report possible financial mismanagement. These reports can be made anonymously and only go to the company's compliance officer. The identity of the whistle-blower can only be disclosed if required by law. Just as with conflicts of interest, FYNSA has confirmed that there have been no cases of fraud or financial mismanagement in the last two years.

24. Chilean law and regulations on preventing money laundering and the financing of terrorism follow best international practice. FYNSA has provided its guide to detecting signs of possible money laundering and terrorist financing, and the external regulator plays an active role in monitoring and ensuring compliance with the law. The regulator also requires financial entities to meet strict "know-your-customer" procedures. FYNSA has provided its manual for opening accounts and vetting new customers. Two recent "know-your-customer" reports have also been provided as well as electronic funds transfer records.

25. In summary, FYNSA is a well-managed, closely held financial sector company with robust internal controls and a strong ethical culture. This, combined with Chile's very strong regulatory environment, which involves not just strict laws and rules but also active and

frequent external monitoring from various regulatory bodies, ensures the strength and stability of the financial sector and the companies that operate within it. It also contributes to the growth and track record of FYNSA, which has had no serious cases of fraud or financial mismanagement in its 35-year history.

26. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF Anti-money Laundering and Countering the Financing of Terrorism Policy.

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

27. FYNSA also has provided examples of mature and well-documented operational procedures (statutes) for several investment funds, including a description of the process for selecting financial instruments, due diligence of the potential project development partner, risk management of the projects, continuous monitoring of the project activities, and financial assets evaluation. The investment opportunities defined by the applicant include stand-alone project or programme activities, investment funds that finance individual projects and programmes, as well as acquisition of the companies that develop multiple projects/programmes.

28. The applicant has developed a comprehensive management manual for developing of the GCF-funded projects/programmes. The manual contains procedures for project selection and preparation, project approval, project implementation, monitoring and evaluation guidelines, as well as procedures for the public disclosure of project related information. The project appraisal guidelines incorporate detailed criteria for the projects' screening and selection. The market, legal and technical analysis define the selection of the investment opportunity. The applicant appraises the project cost and key financial indicators, undertakes an evaluation of the project's financial projections and builds up a project financial model taking into account sources of financing and financial instruments applied.

29. The management manual defines clear roles and responsibilities at each of the project development stages. The investment committee of the management company of a particular fund(s) screen(s) the investment opportunities, prepare(s) the initial investment proposal and undertake(s) project(s) or fund appraisal according to the specific criteria. Investment analysis, including risk, environmental, legal and financial considerations for a potential investment opportunity, are presented to the Oversight Committee prior to its endorsement. The Oversight Committee of the particular fund or business area considers the prepared project appraisals and hands them over to the investors' assembly for final approval.

30. Some of the FYNSA investment funds are specialized in providing loans to real estate project companies (Leadership in Energy and Environmental Design buildings). Others were set up to provide equity investments in the energy generation business. Depending on the investment focus of the particular fund, the applicant develops a specific strategy supported by corresponding objectives and targets, operational guidelines, and risk management procedures applicable to the type and focus of the business. For example, for the funds specializing in real estate businesses, the number of special purpose vehicles are allocated to a specific fund that manages separate buildings. The applicant also provides financial guarantees to the infrastructure and water management projects and companies in cooperation with the national government.

31. Throughout the past five years of its operations, the applicant has attracted a considerable number of investment fund management mandates and successfully raised and deployed the acquired capital in the form of loans, equities and guarantees. FYNSA was able to demonstrate to the AP that investors found the applicants' work successful in terms of adding value to the execution of the projects and improved financial indicators. Positive outcomes of

the funds' operation resulted in increasing commitments of capital from the investors and creating new public funds by FYNSA Holding.

32. The effective use of the procedures was demonstrated through sample project appraisals and due diligence reports, periodic quarterly progress reports provided by executing entities (e.g. project development companies), site visit reports, and other supporting documents that the applicant provided. These documents also show that the applicant has the capacity to examine and incorporate the technical, financial, economic, legal and environmental (including climate change mitigation and adaptation) aspects of the project at the appraisal and implementation stages.

33. The applicant provided examples of the mature and well-documented monitoring function undertaken by the project development companies and investment committee. The project monitoring function places emphasis on continuous oversight of the project implementation process and periodic reporting on the project's implementation status and results achieved against the implementation plan and budget. The monitoring function is also performed by the country's financial markets regulator CMF. The quarterly progress reports are also disclosed on the CMF website. The applicant also engages the independent audit firm to undertake the comprehensive financial valuation of all of its funds' assets, taking into account recent acquisitions. The reports of the independent auditor are made publicly available on the regulators' website.

34. The project monitoring and evaluation policy and information disclosure procedures in line with the GCF specialized fiduciary standard for project management were included in the new management manual for GCF-funded projects/programmes. However, the provisions for the independent evaluation of projects/programmes as contained in the monitoring and evaluation procedures have yet to be demonstrated. The investment committee, as an authorized unit independent from the project development function, would present to the investment assembly the comprehensive evaluation reports of the performance of the specific funds and the results of the projects included in the fund against the initial objectives and criteria. The reports will contain a description of lessons learned and a justification of the decision to continue with an investment in a particular fund or such fund's transfer/sale.

35. The applicant has a mature risk identification system at the project implementation stage through continuous monitoring of the activities in cooperation with the project developers and regular site visits undertaken by FYNSA staff members. These close project oversight practices enable FYNSA to address the technical and financial issues in a timely manner and provide efficient preventative measures where required.

36. The applicant has extensive experience in managing projects relating to infrastructure, energy generation, construction, real estate and other aspects of development in Chile through its asset management company and brokerage company. FYNSA mainly works through specialized investment funds with capital raised from institutional investors, where the applicant serves as an investment manager and investments are made in individual projects and/or private companies.

37. The AP finds that the applicant's policies, procedures, capacity and track record do not fully meet the GCF specialized fiduciary standard on project management. The relevant gap identified in paragraph 34 above is addressed by the corresponding condition for accreditation in section 4.2.

#### 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

38. The applicant did not proceed with applying for this standard at this time at the recommendation of the AP. In reviewing the information provided by the applicant, the AP found that the applicant did not have adequate policies and procedures or a sufficient track

record for accreditation for this standard at this time. The applicant also confirmed that it has not yet gained sufficient experience in managing grant award mechanisms to demonstrate compliance with this standard.

**3.1.5 Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees**

39. The applicant's on-lending and blending operations are supported by a set of well-developed investment management procedures developed for each of the investment funds. The policies relate to funds management, identification of projects at risk, counterparty monitoring, and funds allocation, which together form the end-to-end process of making an investment, including sourcing, screening, due diligence, execution and ongoing monitoring. These are well aligned with the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

40. Example due diligence guidelines for several of the applicants' investment funds provide a comprehensive analysis with regard to the underlying project company or beneficiary and also include due diligence checks on other counterparties involved, such as developers, contractors and workers. The due diligence reports support the decision-making process of the investment committee with regard to the provision of equity and loan financing or financial guarantee to the project beneficiary. The supporting evidence on the due diligence screening exercises and the corresponding minutes of the investment committee meetings for a number of projects were provided to the AP during its site visit. The records of the meetings demonstrate that decisions on investment are taken in an objective manner based on the full technical, financial and legal assessment and taking into consideration the investors' opinion.

41. The applicant has segregated functions for payment approval (treasury) and the operations functions in carrying out the transactions for the beneficiaries. Every transaction is reviewed and approved by the compliance team supporting the applicants' "know-your-customer" requirements. FYNSA performs ongoing monitoring on all payments and transactions in support of their "know-your-customer" and anti-money-laundering obligations. Responsibility in monitoring transactions is assigned to specific individuals to ensure that the payment controls are in place and that any control breakdowns are prevented.

42. FYNSA provided the investment portfolios for several investment funds, including the status of all projects and associated financial information. The copies of the agreements and legal statutes for the various investment funds, which indicate the choice of appropriate financial instruments for the projects, including equity, loans (debts) and guarantees and corresponding lending conditions, were provided. The financial agreements are valid for a defined period of time after which the investors assembly can take a decision to change or modify the legal statutes of a particular fund or investment.

43. The applicant provided evidence of its financial control system, including the preparation of financial statements and the engagement of the independent auditor of the financial statements and the country regulator. The evidence provided by the applicant shows that all the checks and balances were completed regularly by the applicant's controller with regard to the financial status of the applicant.

44. The applicant raises capital on the financial markets or from institutional investors. In line with the mandate given by investors, the applicant searches for the appropriate investment opportunities and further deployments of funds in the various businesses/companies, projects and programmes. Currently FYNSA manages USD 500 million of assets for third-party investors.

45. FYNSA has a solid track record of working with various large family investors, institutional investors and pension funds, as well as the Government of Chile. The applicant has provided reports from independent auditors that include the evaluation of the performance of

the investment funds, supported by graphs and information showing the project results and future projections, the funds' credit ratings and increases in fundraising.

46. The applicant intends to set up a separate fund or funds for the existing and potential project activities to be developed in cooperation with GCF.

47. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

48. The applicant's environmental and social safeguards (abbreviated as SSA as by the applicant) comprise the Environmental and Social Safeguards (ESS) Policy and Environmental and Social Project Management Manual (E&S management manual), which were approved at the FYNSA Holding Board level. The applicant indicated that the SSA will apply exclusively to GCF funded projects. Those projects that are not funded by GCF will need to comply with the applicant's current national environmental and social impacts assessment system and related regulations. The ESS Policy commits the applicant to oversee and supervise its clients' compliance with the SSA to avoid or mitigate the adverse effects of projects on people and the environment. The applicant's clients can include project developers, project originators or project executing entities, and the applicant can also assume the role of project developer. The applicant's clients have the primary responsibility for the development of the project and for providing the applicant with the necessary E&S assessment information needed to perform its supervisory tasks.

49. The SSA requires the applicant to adhere to Performance Standards 1 to 8 (PS 1–8) of the International Finance Corporation, as well as the applicant's national E&S laws and regulations. The E&S management manual includes an equivalent comparison between PS 1–8 and the corresponding applicable national E&S laws and regulations. The Manager of the Asset Management Unit of FYNSA Holding is responsible for ensuring applicant's and its client's conformance with the execution of the SSA. The ESS policy has been approved by the FYNSA Holding chief executive officer. The ESS policy and the E&S management manual have been disclosed within the FYNSA Holding, in particular within the applicant's organisation and the team responsible for the execution of the policy and the manual have already familiarized itself with the application of the policy.

50. The AP finds that the applicant's ESS Policy, SSA, E&S management manual and related documents, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy<sup>4</sup> and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

### 3.2.2 Section 6.2: Identification of risks and impacts

51. The E&S management manual describes the applicant's institutional process for the identification of E&S risks and impacts of projects/programmes. At the inception of the project preparation phase, the project developer prepares and submits a socio-environmental pre-feasibility study to the applicant. The pre-feasibility study defines the baseline information for the project site consisting of a description and analysis of the ambient E&S conditions. This information, together with the nature and scale of the project, including the sensitivity of receiving environments and communities, allows for a preliminary determination of the E&S

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<sup>4</sup> Decision B.19/06 and annex X thereto.

risk category. The pre-feasibility study is then used by the applicant's E&S experts to screen the project and propose a preliminary E&S risk category (A/I-1, B/I-2 or C/I-3). For the GCF-funded projects, this would be done in line with the PS 1–8 and the applicable equivalent E&S national laws and regulations.

52. The pre-feasibility study is then submitted to the national regulatory body called the Environmental Assessment Service (SEA as abbreviated by the applicant) to obtain the resolution as to whether the project is admissible for further evaluation by the developer of the project. The admissibility of the project by SEA implies a preparation by the project developer of either an environmental impact statement (EIS), which is equivalent to an environmental and social management plan (ESMP), for an E&S risk category B/I-2, or an environmental impact assessment (EIA), which is equivalent to an environmental and social impacts assessment for risks greater than those included under E&S risk category B/I-2. The E&S management manual provides a guide on which types of projects require an EIS or an EIA, as defined by the local regulation. SEA is then responsible for issuing a formal response called an environmental qualification resolution (RCA as abbreviated by the applicant) as part of its technical verification process of the correct methodological application and the relevance and completeness of the proposed mitigation measures. The project developer, under the supervision of the applicant, is responsible for obtaining the RCA that certifies SEA decisions. Finally, the RCA will serve as a supporting document that the project developer uses to confirm the project risk categorization (A/I-1, B/I-2 or C/I-3).

53. During the site visit, the AP reviewed the EIS for four small run-of-the-river hydroelectric power plants. These EIS identify and describe the E&S risks and impacts of those projects in line with E&S risk category B. The applicant also identified E&S risk and impacts, including categorization of a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant) in E&S risk category B.

54. The AP finds that the applicant's system of identifying E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

55. The E&S management manual describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification. The developer of each project is responsible for the design and implementation of an environmental and social management system (ESMS) relevant to its project. The ESMS addresses the E&S risks and impacts associated with the projects as well as the mitigation measures to manage them.

56. In accordance with SEA regulations, the admissibility of the project requires the project developer to prepare either an EIS or an EIA for the project depending on the level and sensitivity of the identified E&S risks. The key outcome in either case (EIS or EIA) is an action plan on mitigation management measures to avoid, minimize or compensate for the E&S risks and impacts identified, including the occurrence of emergencies or unexpected events. The same four projects EIS indicated in paragraph 53 above also include the management of E&S mitigation measures, which were approved by SEA. The applicant also provided an ESMP for a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant) in E&S risk category B.

57. The applicant's E&S management manual includes a provision for the applicant to carry out an audit of its SSA for GCF-funded projects. The applicant stated that it currently does not have a sample audit report of the SSA; however, the applicant is willing to prepare an audit report on its institution-wide SSA once accredited.

58. The AP finds that the applicant's management programme, supported by evidence of its track record, meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes. However, the applicant has not yet carried out an audit of its SSA. The relevant gap identified in paragraph 57 above is addressed by the corresponding condition for accreditation in Section 4.2.

#### 3.2.4 Section 6.5: Monitoring and review

59. The E&S management manual describes the applicant's monitoring/supervision procedure that instructs its staff on how to systematically track the completion of mitigation and performance improvement measures, including their roles and responsibilities. The applicant uses the monitoring plan contained in the EIS and/or EIA action plan to guide the implementation of the mitigation and E&S performance improvement measures. A key aspect of the monitoring plan is the definition of key E&S performance indicators that reflect quantitative and qualitative measures of progress in relation to the established objectives of the mitigation measures. The annex to the E&S management manual contains a guide to the key E&S performance indicators grouped according to PS 1–8 to apply during the monitoring process.

60. The project developer is required to notify the applicant and SEA when there are significant changes in the design and/or execution of the project requiring changes to its ESMS. The applicant also carries out an E&S monitoring and evaluation of the activities of its third parties (e.g. contractors or subcontractors).

61. The EIS of the four small hydroelectric power plants mentioned in sections 3.2.2 and 3.2.3 above also contain E&S monitoring plans. The applicant provided E&S monitoring and evaluation reports for a 40 MW hydroelectric power plant project in E&S risk category B, which also included an external audit report on the E&S matters.

62. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

#### 3.2.5 Section 6.6: External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

63. The applicant provided a corporate website link used to receive and register external communications, including complaints or grievances on E&S matters. The E&S management manual describes the procedures and competencies to screen, assess and address issues raised, in line with the applicant's ESS.

64. The E&S project management manual describes the applicant's E&S information disclosure and consultation requirements, which the AP found to be in line with the requirements for E&S category B/I-2 in the GCF Information Disclosure Policy. The applicant is committed to follow a free, prior and informed consent process in its consultations with project stakeholders. This commitment will be designed and implemented in accordance with the risks and impacts of the proposed activities and will continue throughout the project life cycle. The consultations will be conducted in a timely and culturally appropriate manner and free of coercion, and will incorporate the views of stakeholders in the decision-making process.

65. The E&S project management manual also describes applicant's grievance redress mechanism (GRM). The GRM process is managed by the applicant's validators, which comprises the applicant's Investment Committee and members of the applicant's Board. The validators would operate in an independent and transparent manner. The E&S management manual includes a policy statement on the requirement for the applicant's executing entities to include a project-level GRM. The applicant has established a register to record external inquiries/complaints along with responses, which would be also be used for GCF-funded

projects/programmes. The applicant indicated that it has not yet received any E&S-related complaints for projects it finances.

66. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on the disclosure of E&S information for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.6 Section 6.4: Organizational capacity and competency

67. The applicant provided the institutional organisational chart of the Holding that it belongs to that identifies key units, departments, senior and line management personnel who are responsible for implementing the ESMS along with their authority and reporting lines. The CEO of FYNSA Holding is responsible for keeping tracking the status of ESMS or ESAP implementation of the projects and sharing this information with his directorates. The Chief of Investment Banking is responsible for consolidating information on the implementation of ESMP or ESAP by all projects funded by GCF. The Investment Banking Analyst is responsible for updating the monitoring data, including the key performance indicators relating to the implementation of E&S mitigation measures in accordance with the information provided by the project developer. The E&S Coordinator (i) advises the asset management unit on the correct compliance with ESS policy and the E&S management manual; and (ii) produces documentation and carries out field audits or verification processes on the activities of the project developer with the objective of identifying gaps and setting up corrective actions. Finally, the E&S Safeguard Analyst serves as technical support to the coordinator in advisory activities and accompanies the documentary and field auditing procedures and the follow-up to the actions to close gaps detected.

68. The applicant provided the curricula vitae of its E&S Coordinator and E&S Safeguard Analyst, including samples of their work that demonstrate the knowledge, skills and experience necessary to understand and ensure the implementation of PS 1–8. The applicant provided a description of training and development programmes for its E&S staff and other relevant staff.

69. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

## 3.3 Gender

70. One of the key aspects of the applicant's Gender Policy that is approved at the Board level of FYNSA Holding is an action-oriented framework on its human resources development to achieve gender equality in all institutional level cross-cutting issues such as staff recruitment, retention of talents, and maintaining a safe working environment. The Gender Policy applies to group companies, as well as to applicant's clients including the project originators, project developers and project executing entities. Furthermore, the applicant adheres to a 2015 national law that created a Ministry of Women and Gender Equity, which is responsible for collaborating with the President of Chile in designing, coordinating and evaluating the policies, plans and programmes destined to promote gender equity and eliminate discrimination against women. The applicant's human resources department is in charge of the application of the Gender Policy both at the applicant's institutional and project levels. The human resources manager, with the support of an internal joint committee comprising hygiene, safety and project auditors, will monitor and continuously improve the promotion of gender equality and women's empowerment.

71. The Gender Policy requires the applicant to ensure that the concept notes and funding proposals submitted for GCF financing are in compliance with the requirements of the GCF Gender Policy and guidelines and that its clients submit, as part of their funding proposal: (i) a gender assessment along with appropriate environmental and social assessments; and (ii) a project-level gender action plan. The gender assessment shall integrate an analysis of context and sociocultural factors underlying gender inequality exacerbated by climate change and optimize the potential contributions of women and men of all ages to build both individual and collective resilience to climate change. This assessment shall be used to inform project formulation, implementation, and monitoring and evaluation. The project-level gender action plan shall be based on the gender analysis and contain gender-related activities, baselines, sex-disaggregated indicators and targets, roles and responsibilities, and financial and human resources. The Gender Policy requires that consultations with the stakeholders will be carried out in a gender-responsive manner to ensure information is shared equitably with women and men stakeholders and presented in accessible formats across all stakeholder groups.

72. As stated in the Gender Policy, the applicant's gender procedure and practices are derived from the guidelines proposed in the GCF publication "Mainstreaming Gender in Green Climate Fund Projects: A practical manual to support the integration of gender equality in climate change interventions and climate finance".<sup>5</sup> Guided by this manual, the applicant's gender consultant was instrumental in the development of the gender assessment and gender action plan for a project comprising two commercially integrated power plants (a 300 MW pumped storage hydroelectric plant and a photovoltaic solar plant, E&S risk category B). The applicant has created a project under its social fund to promote housing for homeless men and women. Both of these projects benefit men and women.

73. The applicant currently does not have a gender expert/consultant on its payroll to help with the implementation of the Gender Policy. The Gender Policy states that a gender expert/consultant shall be engaged for designing, implementing and monitoring the gender-assessment study and related gender action plan for GCF-funded projects/programmes. The manager of the applicant's human resources department has made a commitment to lead the development and delivery of a training programme for the applicant's staff on implementing its Gender Policy, prior to submitting its first funding proposal to GCF.

74. The AP finds that while the applicant's gender policies and procedures meet the requirements of the GCF Gender Policy, the applicant lacks the necessary capacity to implement its Gender Policy for GCF-funded projects/programmes. The relevant gap identified in paragraph 73 above is addressed by the corresponding condition for accreditation in section 4.2.

## IV. Conclusions and recommendation

### 4.1 Conclusions

75. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. The applicant partially meets the requirements of the specialized fiduciary standard for project management. Although the applicant has developed the

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<sup>5</sup> Available at <[https://www.greenclimate.fund/documents/20182/194568/Guidelines\\_-\\_GCF\\_Toolkit\\_Mainstreaming\\_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7](https://www.greenclimate.fund/documents/20182/194568/Guidelines_-_GCF_Toolkit_Mainstreaming_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7)>.

procedure on the evaluation of the projects and funds, it has yet to demonstrate its effective implementation. The applicant has agreed to provide the AP with the evaluation report that is to be prepared by the investment committee for the investors assembly in the 2021 fiscal year on the performance of one of the energy funds managed by FYNSA;

- (b) The applicant partially meets the requirements of the GCF Environmental and Social Policy and interim ESS standards, and the GCF Information Disclosure Policy requirements on the disclosure of E&S information in relation to medium E&S risk (category B/I-2). The applicant has demonstrated that it has experience in implementing its E&S safeguards (SSA). However, the SSA system has not undergone an external audit. The applicant has agreed to commission an external audit of its SSA system and provide the audit report to GCF; and
- (c) The applicant's gender policies and procedures are found to be consistent with the GCF Gender Policy. The applicant, with the help of a Gender Consultant, demonstrated its experience with early stage project preparation with gender considerations in the context of climate change. However, since then the applicant has not maintained the competencies required to implement its Gender Policy. The applicant has agreed to recruit a gender expert/consultant for GCF-funded projects and develop and implement a gender training for its staff.

## 4.2 Recommendation on accreditation

76. The AP recommends, for consideration by the Board, applicant APL092 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>6</sup> and small<sup>7</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards;
    2. Specialized fiduciary standard for project management; and
    3. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)<sup>8</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes. The conditions are as follows:
  - (i) Conditions to be met prior to submission of the first funding proposal to GCF:

<sup>6</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

<sup>7</sup> As per annex I to decision B.08/02, "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>8</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

1. Provision of evidence by the applicant of the recruitment of a gender expert to help the applicant's Gender Policy focal point to implement the applicant's Gender Policy; and
  2. Provision of evidence by the applicant of the development and implementation of training on its Gender Policy for the applicant's staff;
- (ii) Condition to be met no later than three years following signature of the accreditation master agreement in Stage III of the accreditation process:
1. Provision by the applicant of evidence, in the form of one example, demonstrating that the independent evaluation report for the applicant's investment funds has been prepared in accordance with the evaluation procedure contained in the updated Management Manual for GCF-funded projects and disseminated in accordance with the applicant's Information Disclosure Policy; and
- (iii) Condition to be met no later than three years of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
1. Provision by the applicant of a report on the audit of the effectiveness of the applicant's environmental and social safeguards (SSA) system.
77. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 76 above, and agrees to the recommendation.

## Annex XVIII: Accreditation assessment of applicant 093 (APL093)

### I. Introduction

1. Applicant 093 (APL093), IL&FS Environmental Infrastructure and Services Limited (IEISL), a subsidiary of Infrastructure Leasing and Financial Services (IL&FS), is a national private sector entity based in India. IEISL has experience in advisory and project development services in environmental management, geospatial technologies, energy conservation and carbon market business. It promotes environmental initiatives through public-private partnerships and aims to create innovative solutions for environmentally sustainable development.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 5 May 2016. Accreditation fees were received from the applicant on 15 May 2016, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 28 March 2018 and the applicant progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The applicant received a national designated authority/focal point nomination for its accreditation application from India;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2))<sup>3</sup>.

### II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

#### 2.2 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. IEISL, formally known as IL&FS Waste Management and Urban Services Limited, was incorporated in 2007 and is now registered under the Companies

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "small" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

Act 1956 under the Registrar of Companies, National Capital Territory of Delhi and Haryana, Ministry of Corporate Affairs, Government of India.

## 2.3 Institutional presence and relevant networks

5. The applicant has seven offices in different regions of India from which it manages the projects and programmes it implements. It works on the planning, development, implementation and operations of environmentally friendly projects that could contribute to low-emission and climate-resilient development pathways in India. It also leverages its partnerships with central and local government agencies, national and international private sector organizations, including providers of innovative technologies and multilateral institutions, to mobilize financial resources that it uses to develop and implement its projects.

6. The applicant intends to use its experience in developing and implementing projects that deliver climate change mitigation and adaptation solutions through waste management, renewable energy generation and energy efficiency in urban areas in order to further objectives of GCF. Specifically, with respect to mitigation, the applicant intends to undertake activities that reduce emissions through increased investments in low emission energy sources, such as waste-to-energy projects. The applicant also plans to continue investing in waste-to-compost projects throughout the country to assist India with its increasing volume of waste and support the agricultural sector by making organic compost fertilizers.

7. The applicant intends to continue cooperating with its partners in order to assist India its country in achieving sustainable development that mainstreams climate change by implementing environmentally and socially sustainable projects in India.

## 2.4 Track record

8. The applicant undertakes climate-resilient sustainable development by mainstreaming environmental issues and climate mitigation and adaptation in the sectors in which it operates. The applicant has a track record in financing renewable energy generation, energy efficiency and waste management projects in India by deploying grants, loans and equity.

9. In addition, the applicant has experience in project development, environmental management and urban infrastructure. The applicant's track record in financing sustainable development and climate change-related projects in these sectors to date includes the following, which fall within the GCF small and micro-size categories:

- (a) USD 0.9 million (in equity) for the Refuse-Derived Fuel Power Project in India;
- (b) USD 1.7 million (in loans) for the Ahmedabad Municipal Corporation Light-Emitting Dioxide Street Lighting Project in India;
- (c) USD 37.5 million (in grants and loans) for the 12 MW Ghazipur Waste to Energy Plant Project in India; and
- (d) USD 50 million (in grants and loans) for the Municipal Energy-Efficiency Project in Gujarat, India.

10. Although the entity has a track record in financing projects through loans and equity, it has confirmed that it does not intend to currently apply for the specialized fiduciary standard for on-lending and/or blending for loans and equity. Thus, specific structures of potential projects/programmes, if accredited, would need to fall within the specialized fiduciary standard for project management, for which the applicant is seeking accreditation.

## III. Stage II accreditation review assessment

11. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of GCF.
12. As part of this assessment, the AP consulted third-party websites to complement the information provided in the application, and to gather information regarding the financial situation of the applicant's parent company, the alleged failures of the statutory auditors during the execution of external financial audits and the actions of the Government of India in response to the financial situation of IL&FS and some of its subsidiaries.

### 3.1 Fiduciary standards

#### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

13. The applicant is a wholly owned subsidiary of IL&FS. The members of the applicant's Board of Directors and Managing Director are appointed by IL&FS; furthermore, IL&FS, through its designated subsidiaries, exercises financial oversight and project approval authority over the applicant.
14. In October 2018, the Government of India, in response to the financial situation of IL&FS, replaced the previous Board of Directors of IL&FS with Government-appointed members under the oversight of the Ministry of Corporate Affairs. The applicant's Board of Directors was also restructured; a director (appointed in 2008) with experience in environmental and climate change matters was named Chairman of the Board and the ex-Deputy Comptroller & Auditor General of the Government of India was appointed as a director. The applicant's Board of Directors is composed of three members, and the Chairman is an independent director as defined by the Companies Act 2013.<sup>4</sup> Furthermore, the applicant's current Audit Committee was appointed in the company's last Board Meeting, held on 24 June 2019, and is chaired by the director with experience as Deputy Controller and Auditor General of the Government of India.
15. In order to exercise its oversight functions, the applicant's Board of Directors has established three committees of the Board, as follows:
  - (a) Committee of Directors, responsible for the approval of new business initiatives and project undertakings, the presentation of project bids, and additional borrowings and investments;
  - (b) Audit Committee, responsible for overseeing the internal and external audit functions and serving as the applicant's Ethics Committee; and
  - (c) Nomination & Remuneration Committee, responsible for proposing, for Board approval, appropriate personnel policies, including the nomination of candidates for key executive positions and compensation policies.
16. The applicant's organization is structured in alignment with its business model and support service requirements. The applicant is led by a Managing Director and supported by a Senior Vice-President responsible for all waste management operations and by the Chief Financial Officer responsible for all finance and accounting support activities (including taxation, budgeting and coordination of the work of the internal auditors). Additionally, the following five units are operational: Advisory Services (environment, energy efficiency, and carbon solutions), Sales & Marketing, Procurement, Business Development (waste management), and Human Resources and Administration. It is relevant to note that there have been no changes in the applicant's organizational structure and business strategy as a result of the governance changes at the parent company level.

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<sup>4</sup>The Companies Act, 2013 refers to the Act issued by the Government of India. Available at <<http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>>.

17. The applicant has two main, fully functional information systems developed to provide the information required for appropriate decision-making and management of its operations. The information systems include a financial information system and a management information system (MIS). The financial information system generates timely periodic reports on sales, production, business segment performance, costing (both at product level as well as at plant level), debtor and vendor aging, cash flow realization, budget monitoring, and financial statements. The MIS generates information required for the management of the plants operated by the applicant. The MIS generates specific input and output reports on production, input consumption, sales dispatch and plant performance. The applicant provided sample copies of the reports generated by its information systems that demonstrate the functionality of the technology adopted. In addition to the applicant's information systems, further assurance of appropriate accounting procedures is provided by the definition of the functions and responsibilities of the financial management units established in its Accounting and Operations Manual.

18. The applicant's Accounting and Operations Manual establishes the procedures for payments and disbursements. The authority for approving disbursements of expenses and capital expenditures are delegated to the applicant's Managing Director, who subdelegates this authority as required. The procedures for the approval, recording and disbursement of funds are defined in detail for each type of disbursement made by the applicant. Specific processes for disbursements to vendors and project executors, payment of production inputs, and payment of administrative/operating expenses are defined. Each of these processes establish the requirements for disbursement, including proper documentation, recording in the financial management system and definition of an officer responsible for payment authorization. The payment and disbursement procedures adequately segregate functions and are supported by the applicant's financial management systems. Furthermore, the internal audit function reviews the Finance and Accounts Units to ensure compliance with the established payment and disbursement procedures.

19. The Companies Act 2013 (the Act) requires that the applicant establish an Audit Committee with members of its Board of Directors. Furthermore, the Act establishes the minimum requirements for the terms of reference of the Audit Committee. Based on the mandate of the Act, the applicant formed its Audit Committee and formulated the terms of reference that establish the following main responsibilities:

- (a) Exercise periodic oversight over the external and internal audit functions, including oversight of the internal control system, approval of the annual internal audit plan, approval of the statutory audit proposal and regular review of audit observations and management responses;
- (b) Recommend the appointment of the statutory auditor and internal auditor;
- (c) Review the annual audited financial reports and approve the presentation of the report to the Board of Directors;
- (d) Scrutinize intercorporate loans and investments; and
- (e) Approve, or subsequently modify (if necessary), transactions of the company with related parties.

20. The applicant provided minutes of the Audit Committee, which demonstrate that the Committee is fulfilling its responsibilities as defined in its terms of reference.

21. The applicant outsources the internal audit function to a firm of chartered accountants. The Institute of Chartered Accountants of India (ICAI) establishes the standards for internal audit that must be observed by its members when engaging in internal audit functions.<sup>5</sup> The

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<sup>5</sup> Available at <[https://www.icai.org/new\\_post.html?post\\_id=597&c\\_id=145](https://www.icai.org/new_post.html?post_id=597&c_id=145)>.

Audit Committee selects the chartered accountant that will undertake the internal audit functions, approves the annual internal audit plan and receives periodic reports from the chartered accountant of audit findings and observations. The internal audit services provided by the third party allow the applicant to meet the requirements of the GCF basic fiduciary standards for key administrative and financial capacities, provided that the internal audit is performed in observance of the ICAI Internal Audit Standards (or equivalent). The applicant provided enough evidence that its established practice is to only outsource internal audit services to firms that are led by chartered accountants and mandated to observe the ICAI Internal Audit Standards, and it is reasonable to expect that this practice will be maintained in the future.

22. The Audit Committee, aided by periodic Audit Action Taken Reports (ATRs),<sup>6</sup> regularly monitors the internal audit findings and observations. The ATRs contain the audit findings and observations (both current findings and past audit findings that are pending resolution), actions taken by management to resolve the issues detected and the status of the corrective actions proposed by management. The applicant provided copies of the ATRs, which demonstrate that the Audit Committee actively monitors the status, including closure, of internal audit findings

23. The applicant's Audit Committee recommends the external audit firm that will be engaged in undertaking the biannual statutory audits of the applicant's financial statements. The Board of Directors confirms this recommendation, and the statutory auditor selection is approved at the Annual General Meeting. The terms of reference of the statutory auditor are defined in the International Standard on Auditing 210: Agreeing the Terms of Audit Engagements.<sup>7</sup> In addition to the statutory (financial) audit, the applicant's Accounting and Operation Manual, in compliance with relevant national laws and regulations, establishes the requirement for periodic independent tax and production cost audits.

24. The National Company Law Tribunal of India upheld a five-year ban on the audit firm that was employed to perform the latest available statutory audit of the applicant's financial statements.<sup>8</sup> It is relevant to note that the allegations of statutory audit lapses do not mention the statutory audits performed on the applicant's financial statements; however, this legal case may require that the applicant engage a new statutory audit firm. The GCF basic fiduciary standards for key administrative and financial capacities require that accredited entities appoint an external auditor; given the circumstances described above, confirmation that the applicant has engaged an external audit firm will be requested.

25. The applicant has not formally documented the adoption of a control framework, such as the Committee of Sponsoring Organizations of the Treadway Commission Framework (COSO Framework); however, the Companies Act 2013 (the Act) mandates that the Board of Directors establish internal financial controls and ensure that the controls are adequate for the scope of the applicant's operations and effectively implemented. Based on the requirements of the Act, the applicant developed its Accounting and Operational Manual and Financial Control Policy. These documents provide detailed procedures that serve as guidance to the applicant's officers and employees for executing daily transactions in a manner that provides effective control over the company's operations. Furthermore, as mandated by the Act, the Audit Committee shall periodically evaluate the "internal financial controls and risk management systems". In order to fulfil this responsibility, the Committee relies on the ATRs, statutory audit reports, internal audit reports and the applicant's Financial Risk Register. The applicant could benefit from

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<sup>6</sup> The ATRs are prepared by the applicant's Finance Department, as the unit responsible for coordinating the work of the internal and external auditors. These reports are prepared with the inputs provided by the internal audit function, relevant organizational units and the Audit Committee.

<sup>7</sup> Available at <<https://www.ifac.org/system/files/downloads/a009-2010-iaasb-handbook-isa-210.pdf>>.

<sup>8</sup> Available at <[https://www.business-standard.com/article/companies/nlct-allows-ban-on-deloitte-bsr-for-alleged-auditing-lapses-in-il-fs-firm-119080901220\\_1.html](https://www.business-standard.com/article/companies/nlct-allows-ban-on-deloitte-bsr-for-alleged-auditing-lapses-in-il-fs-firm-119080901220_1.html)>.

adopting a control framework such as the COSO Framework, however, the regulatory mandates, the functioning of the internal audit unit, the comprehensive oversight of the Audit Committee, and the level of detail of the relevant policies and procedure manuals provide the applicant with an appropriate internal control framework. Finally, the internal control environment is further strengthened by the Act's requirement that the statutory auditors include in their annual financial report an annex that contains the "Report on the Internal Financial Controls Over Financial Reporting".

26. Special mention is made of the applicant's substantial reliance, as disclosed in its March 2018 Audited Consolidated Balance Sheet, on funding received from its parent company (and from subsidiaries of its parent company). The GCF basic fiduciary standards for key administrative and financial capacities require that accredited entities assess relevant risks and implement proper mitigation plans. The exposure to funding received from related companies represents a relevant financial risk for the applicant that must be addressed. The applicant provided assurance that an action plan is in place to reduce its exposure to related company funding, however, updated financial information to assess the evolution of related company lending will be requested.

27. Based on the Purchase Policy approved by the applicant's Audit Committee and its Board of Directors, the applicant developed detailed procurement guidelines which are organized in three sections: Decision Authority Matrix, Procedures for Non-Purchase Committee Procurement and Procedures for Purchase Committee Procurement. The monetary value of the goods or services to be procured determines the procedure to be applied. The procurement guidelines classify procurement activities based on the following criteria: consumable or capital goods, regular or extraordinary, and budgeted or non-budgeted. All procurement activities undertaken by the applicant follow an ordered sequence including pre-purchase activities, purchase preparation, form of procurement (for example public tender) and conditions for release of payment to vendor. The applicant's procurement activities are appropriately managed by the procurement department and supported by mandatory documentary requirements, an appropriate vendor rating system and well-defined procedures for undertaking public tender processes. Overall, the applicant's procurement guidelines satisfy the requirements of the GCF basic fiduciary standards on key administrative and financial capacities; however, the procurement guidelines' conflict of interest procedure is not sufficiently developed in the applicant's procurement policy, and a procurement dispute resolution policy is required. Finally, it is important to note that the applicant developed guidelines for monitoring the procurement activities of executing entities (EEs), including the requirement that EEs periodically report their procurement activities using a standard template.

28. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, do not fully meet the GCF basic fiduciary standards on key administrative and financial capacities. The relevant gaps identified in paragraphs 24, 26 and 27 above are addressed by the corresponding conditions for accreditation in section 4.2 of this document.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

29. The applicant's ethical standards are defined in its Employee Handbook, Code of Conduct, and Whistle Blower Policy and Vigil Mechanism, which was developed in accordance with the mandate of the Companies Act, 2013. The Whistle Blower Policy and Vigil Mechanism specifies that the expected ethical behaviours are applicable to all employees and individuals contractually engaged with the applicant. The ethical standards are appropriately communicated in the employee's appointment letter, the Employee Handbook, and in Whistle

Blower Policy and Vigil Mechanism, which is publicly available on the applicant's website.<sup>9</sup> The Whistle Blower Policy and Vigil Mechanism, in accordance with the guidance of the Companies Act 2013, assigns the function of ethics oversight to the Audit Committee. Furthermore, the position of ombudsman is established as the channel through which ethical violations can be reported (violations can also be reported directly to the Chairperson of the Audit Committee.).

30. The applicant's Code of Conduct and the Companies Act 2013 provide the framework for the definition of conflicts of interest, the individuals that are bound by these regulations, the disclosure requirements of financial interests and the sanctions for failure to disclose financial interests, and they direct covered parties to the Compliance Officer to report violations of the Code of Conduct or raise questions regarding potential conflicts of interest. The Companies Act 2013 establishes the financial interests that must be disclosed, using a standard template. Disclosure of financial interests must be done annually (or when changes occur). The Companies Act 2013 also establishes the sanctions (fines and imprisonment) for failure to make the required disclosures. The applicant's Code of Conduct provides further detail on the covered parties that must disclose conflicts of interest, including directors and senior officers from the level of assistant vice-president and higher. The Code of Conduct requires that each covered party acknowledge in writing that they have received and understood the requirements of the Code of Conduct.

31. The applicant's Financial Control Procedures and Accounting and Operations Manual contain detailed descriptions of the way financial management and accounting activities must be undertaken. These detailed procedures, supported by effective internal audit and a functioning Audit Committee, constitute the main mechanism to prevent fraud and other malpractices. The company's Employee Handbook, Code of Conduct and Whistle Blower Policy and Vigil Mechanism establish the applicant's ethical values, which include strict regulatory compliance, accurate financial reporting, professional integrity and transparency. The applicant's Whistle Blower Policy and Vigil Mechanism defines the main forms of malpractice and the procedures that will be followed for investigations (including the designation of the officer/director that will lead the investigation process and its resolution).

32. The applicant's Whistle Blower Policy and Vigil Mechanism and the regulatory mandate contained in paragraph 177 (9) of the Companies Act 2013 (on the establishment of a vigil mechanism) contain the requisite provisions to comply with the requirements established in the GCF Policy on the Protection of Whistleblowers and Witnesses.<sup>10</sup> The GCF Policy on the Protection of Whistleblowers and Witnesses contains more detailed descriptions, however, the applicant's Whistle Blower Policy and Vigil Mechanism contains the required protections for whistle-blowers, the appropriate definition of the avenues to report alleged misconduct incidents, and defines the organizational positions that are responsible for the effective functioning of the whistle-blower mechanism. It is important to note that paragraph 177 of the Companies Act 2013 defines the functions of the Audit Committee and assigns the responsibility for oversight of the Whistle Blower Policy and Vigil Mechanism to this governance body.

33. The applicant's investigation function is defined in its Whistle Blower Policy and Vigil Mechanism. The purpose of the investigation function is to receive all complaints of unethical or improper actions allegedly committed by a covered party (covered party as defined by the applicant's Code of Conduct and its Zero-Tolerance Policy). The investigation function will evaluate the allegation and determine if it warrants further action. If the allegation is found to have credible evidence, a formal investigation will be initiated. The Companies Act 2013 designates the Audit Committee as the governance body responsible for investigating allegations of misconduct received under the procedures of the Whistle Blower Policy and Vigil

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<sup>9</sup> Available at <<http://www.ilfsenv.com/Brochures/Vigil-Mechanism.pdf>>.

<sup>10</sup> Decision B.BM-2018/21 and annex I thereto.

Mechanism. The Chair of the Committee is delegated the authority to act as the principal officer of the investigations function, assisted by the applicant's Ombudsman.

34. The Whistle Blower Policy and Vigil Mechanism provides guidelines for the entire investigation process, including the way complaints are received, initially evaluated, investigated and resolved. All complaints pertaining to finance and accounting issues or involving a senior official (Vice-Presidents and above) must be submitted to the Chair of the Audit Committee; all other complaints must be submitted to the Ombudsman. The investigation procedures focus strictly on determining the accuracy of the facts presented in the complaint. The accused party's identity, to the extent possible, will be kept confidential throughout the investigation. Furthermore, unless justifying causes are present, the accused party will have the right to know it is under investigation and will have the right to present its defence arguments. Based on the outcome of the investigation, the Chair of the Audit Committee (or the Ombudsman) will either absolve the accused subject or recommend that management take disciplinary action against the offender (it is important to note that all disciplinary action will observe the relevant personnel policies and legal requirements.). All records of the investigation must be stored for a minimum period of eight years (or longer if legally required).

35. As an infrastructure company, the applicant is not required to comply with the national Prevention of Money Laundering Act 2005; however, in order to meet the GCF basic fiduciary standards for transparency and accountability and comply with the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy),<sup>11</sup> it developed an AML/CFT Policy specifically for GCF-funded projects/programmes. The applicant's AML/CFT Policy, which has been approved by the applicant's Board of Directors, complies with the requirements of the GCF AML/CFT Policy.

36. The applicant's Code of Conduct and its Whistle Blower Policy and Vigil Mechanism contain most, but not all, of the types of conduct that are defined as prohibited practices in the GCF Policy on Prohibited Practices.<sup>12</sup> Furthermore, the GCF Policy on Prohibited Practices establishes the accredited entity's responsibility to ensure observance of the GCF Policy on Prohibited Practices at the EE level and (if needed) cooperate in the investigation (for GCF-funded projects/programmes) of alleged violations of this Policy. In order to fully comply with the GCF Policy on Prohibited Practices, the applicant must ensure that the scope of prohibited practices, defined in its Code of Conduct and in its Whistle Blower Policy and Vigil Mechanism, contain all the definitions of prohibited practices that are established in the GCF Policy on Prohibited Practices. Compliance of the applicant's ethical standards is monitored by the Audit Committee, which, based on the evidence provided, is effective in ensuring compliance with the matters that are under its purview.

37. The AP finds that the applicant's policies, procedures and capacity, supported by its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as comply with GCF Policy on the Protection of Whistle Blowers and Witnesses and GCF AML/CFT Policy. However, the applicant partially complies with the GCF Policy on Prohibited Practices. The relevant gap identified in paragraph 36 is addressed by the corresponding condition for accreditation in section 4.2 of this document.

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

38. The applicant provided a copy of the project preparation guidelines used to develop bid proposals for municipal solid waste management concessions. These guidelines demonstrate the applicant's comprehensive procedures for project preparation. The guidelines incorporate the required stages for effective project preparation, including the following:

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<sup>11</sup> Decision B.18/10 and annex XIV thereto.

<sup>12</sup> Decision B.22/19 and annex XIV thereto.

- (a) A general description and characteristics of the project;
  - (b) A comprehensive technical project description;
  - (c) Proposed project partners;
  - (d) A detailed analysis of processing plant requirements;
  - (e) A comprehensive evaluation of project risks and mitigation measures;
  - (f) Project funding requirements; and
  - (g) A comprehensive project financial analysis.
39. The applicant provided a sample of a completed project preparation document that demonstrates the effective application of its project preparation guidelines.
40. The applicant provided a copy of its project appraisal process that demonstrates its organizational expertise to undertake quality project appraisals. The project appraisal guidelines incorporate detailed assessments of the market for the services to be provided by the project and a comprehensive technical evaluation of the proposed technology, production processes and project location. Once the market and technical analysis are completed, the project appraisal focuses on the project implementation framework, specifically evaluating the implementation strategy, the procurement strategy (including vendor evaluation and vendor synergy to optimize implementation), and the proposed implementation schedule. Finally, the applicant appraises the project cost and sources of financing proposed by the project sponsor, and undertakes an evaluation of the project's financial projections, including a sensitivity analysis of key variables. The final steps in the project appraisal process include an assessment of environmental, social, legal and regulatory project components, and an analysis of project risks and appropriate mitigation measures. The applicant provided copies of completed project appraisals, thus validating that the relevant guidelines are effectively applied.
41. The applicant, as a subsidiary of IL&FS, is subject to the oversight of, and the project approval procedures defined by, the Board of Directors of IL&FS. These procedures include delegating approval authority over specific transactions to specialized IL&FS subsidiaries. The oversight of specialized IL&FS subsidiaries provides additional assurance of proper project preparation and appraisal.
42. For this applicant, project implementation refers to the construction and preparation of the physical components of its projects (i.e. construction and preparation of a waste management plant). The applicant's Project Monitoring and Oversight Guidelines establish the monitoring procedures specifically for the implementation stage of the project.
43. The applicant relies on both independent experts, as well as its own staff, to ensure effective monitoring of project implementation. External experts are engaged to perform periodic project oversight functions, including on-site inspection of execution progress for all project components, verification of costs incurred (and analysis of variances), and analysis of critical implementation activities. External accounting firms are retained to monitor the disbursements of funds to the project and expenditures by project component (including analysis of variances) and prepare periodic project cash flow statements. The company staff and project lenders also perform project site inspections. Based on the results of the project implementation monitoring activities, the applicant's staff prepare periodic Project Implementation Progress Reports that are reviewed by management and reported to the Board of Directors.
44. For this applicant, the monitoring and evaluation function shall be understood as the effective operation of the plants (i.e. waste management plants) it operates. The applicant's financial management, operational and accounting processes, supported by its management information system and managerial reports received from the plants, provide the required elements to adequately manage the operation of the projects it has implemented.

45. The applicant developed its Policy and Procedure for Disclosure of Project Completion/Evaluation Report. The applicant defines project closure as the “completion of the physical components of the project development and all funds against project cost have been disbursed and utilized in project construction”. Based on this definition, the applicant’s guidelines establish the content of and the channel used to publish project closure reports. Furthermore, this policy establishes that after six months, counted from the date the project becomes operational, an independent qualified professional will be engaged to evaluate the project; this evaluation exercise will be undertaken every six months, and the evaluation reports will be published. The applicant’s policy establishes the procedures for the publication of the evaluation report, including guidance on appropriate report content and communication channels used for publication.

46. The applicant’s project appraisal serves as the foundation for effective project implementation risk management by providing a comprehensive evaluation of the probable risks and available mitigation strategies. During the project implementation stage, technical and performance risks are mitigated by the thorough vendor/service provider selection process implemented by the applicant. Furthermore, the applicant relies on project monitoring performed by independent experts, the project manager and experts assigned by the project lenders. Through these monitoring activities, project implementation risks are identified and corrective actions are implemented in a timely manner. The applicant provided copies of reports, including implementation progress reports, expense analysis reports, monitoring reports and site inspection reports that evidence the importance given by the applicant to appropriate project monitoring and risk identification. It is important to note that the reliance on external experts provides the required separation between project implementation and the project monitoring team.

47. The applicant has a proven track record in developing projects that generate positive environmental impacts. The applicant’s track record in implementing and operating waste management plants demonstrates that its project management policies and procedures are effective. A leading example of the applicant’s track record that demonstrates the competencies developed to successfully bid, implement and operate the projects it designs is the municipal solid waste processing plants it operates. The applicant has been “mandated to manage over 14,000 tonnes per day of solid waste (municipal solid waste and construction and demolition waste) across the country”.<sup>13</sup> The applicant provided additional examples of projects it has developed in the different areas of waste management in which it specializes. Examples include the construction and demolition waste recycling project in Burari, Delhi, with a capacity to process 500 tonnes per day of construction demolition debris; the development of the Ghazipur Bio-Meth Plant in New Delhi; and the development of Sewapura Compost Plant, which has a capacity to process 300 tonnes per day of municipal solid waste for conversion into organic compost.

48. The AP finds that the applicant’s policies, procedures and capacity, supported by its track record, fully meet the GCF specialized fiduciary standard on project management.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

49. The applicant’s Board adopted an environmental and social policy framework (ESPF) in August 2015. The ESPF also applies to the applicant’s subsidiaries and associate companies as suitably adapted to reflect each individual business unit’s processes. The ESPF is founded on the concept of sustainable development, which recognizes environmental and social (E&S)

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<sup>13</sup> Available at <<http://www.ilfsenv.com>>.

considerations in its business operations to add value and minimize impacts and risks to increase the effectiveness of the applicant's services on environmental infrastructure projects. The applicant has established and implements mechanisms to conserve natural resources, protect the environment and provide a safe and healthy workplace for their employees and contractual staff. The applicant is committed to complying with applicable local and national laws and to be responsive to existing and emerging global E&S concerns on a proactive basis.

50. The applicant provided an analysis showing the equivalence between the various E&S principles in the ESPF demonstrating that the ESPF conforms to the Performance Standards (PS) 1–4 in the GCF interim environmental and social safeguards (ESS) standards. The applicant claimed that PS 5–8 are not relevant to its operations as they do not involve resettlement/compensation (PS 5), impacts on biodiversity (PS 6), impacts on indigenous people (PS 7) or impacts on cultural heritage (PS 8). Although the ESPF contains provisions for addressing requirements specified under PS 5–8, the applicant, in its project execution, has not encountered elements applicable to PS 5–8 in its operations. The applicant has agreed to comply with PS 1–8 of the GCF interim ESS standards as relevant for GCF funded projects. The ESPF is available to all of the applicant's staff on its intranet. The applicant has created a Corporate Sustainability Cell (CSC) staffed by experts for overall guidance, advice and coordination on E&S matters related to its operations. The CSC is responsible for knowledge management, communication and outreach, training, and compliance monitoring for the applicant's ESPF. A coordinator is identified in each subsidiary to coordinate activities related to the ESPF.

51. The AP finds that the applicant's ESPF and related documents, supported by evidence of its track record, fully comply with the GCF Environmental and Social Policy<sup>14</sup> and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

### 3.2.2 Section 6.2: Identification of risks and impacts

52. The ESPF describes the applicant's institutional process of guiding staff in identifying the E&S risks and impacts of projects/programmes as they evolve over the project lifetime. The process for assigning E&S risk ratings involves reviewing E&S impacts and assessing exposure and liabilities related to environmental and social non-compliance. The E&S risk ratings identify the extent of follow-up actions and monitoring required for the project to avoid or mitigate E&S risks. Based on such assessment, the project is assigned any one of the following E&S risk ratings: Low (L), Medium (M) and High (H), which are found to be consistent with the corresponding E&S risk categories (A, B and C) in the GCF interim ESS standards. The ESPF annexes contain E&S risk rating criteria for waste management projects and advisory services.

53. The applicant provided a sample of E&S risk screening and rating forms in E&S risk categories H and M for projects on municipal waste management, waste-to-energy, and composting plants. An example of a project involving the purchase of light-emitting diode lights falling in E&S risk category L was also provided. The applicant provided an illustrative list of projects and descriptions from the past three years and their E&S risk category (H, M or L). The ESPF coordinator in the CSC is responsible for the determination of the E&S risk categorization.

54. The AP finds that the applicant's system of identification of E&S risks and impacts, supported by evidence of its track record, fully comply with the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

55. The ESPF describes the applicant's institutional process for managing mitigation measures and actions stemming from the E&S risk identification process provided,

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<sup>14</sup> Decision B.19/06 and annex X thereto.

distinguishing between different categories of risk. The information related to E&S risks is collected at the project planning stage and is communicated to other departments, such as finance and/or legal, through a Business Approval Memorandum. This Business Approval Memorandum is reviewed by the applicant's senior management to identify all project-associated E&S risks. The mitigation measures are also identified, and an estimate of costs incurred for the same is also calculated. This information becomes part of the project preparation and appraisal process. Following the communication of E&S risks, the applicant submits final technical and financial bids or letters of intent to a client, depending on the typology of sourcing of projects. The E&S risk reduction controls are executed in alignment with requirements for environmental, health and safety-related legal compliance and taking into account E&S studies. incorporating covenants to this effect in contract agreements drawn; and communicated to the client. The applicant provided a sample of three E&S assessments for projects it implemented in the areas of waste-to-energy and composting that were placed in E&S risk categories H, M and L.

56. The applicant's ESPF describes the E&S audit requirements. The applicant's project audit takes place in two forms: corporate review and external audit. The corporate review is conducted by the CSC, which is an internal audit process. The corporate review is a two-tier process that includes office-based review and project site-based review. In the office-based review, a random sampling of the ongoing and new projects is carried out, and all E&S compliance documents are checked. In the site-based review, E&S compliance documentation, safety aspects, emergency preparedness and status of E&S issues are reviewed. The finding/observations of the corporate review are compiled in a format indicated in the ESPF. The external audit is conducted by a third-party agency, such as an external audit firm. The findings of the corporate review are submitted for the review of the Audit Committee of the applicant's parent company, IL&FS, at the Audit Committee's next meeting. The findings of the external audit are submitted for the review of the Board of Directors of IL&FS. The applicant provided a sample corporate audit and an external audit report, both of which addressed E&S matters.

57. The AP finds that the applicant's management programme, supported by evidence of its track record, fully complies with the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.4 Section 6.5: Monitoring and review

58. The ESPF describes the applicant's monitoring and supervision procedure, which instructs staff on how to systematically track completion of mitigation and performance improvement measures, including roles and responsibilities. After the execution of contracts for project development, the monitoring of the E&S risks is performed as per a separate set of guidelines laid out in the ESPF. During this stage, relevant covenants related to social factors such as bonded/child labour are communicated to contractors through the insertion of relevant clauses in their contracts. The periodicity for monitoring is based on the risk rating (H, M and L) assigned to the project. The monitoring of the project starts during the inception phase of the project. Any new risks identified during monitoring is captured in ESPF format with an action plan for subsequent monitoring in the next cycle. Based on the monitoring results, the E&S risk rating may be elevated as per the guidance given in in the ESMF to ensure further close monitoring of the project. The applicant has also adopted a monthly monitoring report for the project site during construction. The applicant provided examples of three monitoring reports addressing E&S matters related to waste-to-energy and composting projects.

59. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully complies with the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.5 Section 6.6: External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

60. The applicant provided a website link where it receives and registers external communications from the public so it can screen and assess issues raised, determine how to address them, and provide, track and document responses. The applicant provided a copy of its Policy and Procedures for Grievance Management, External Communications and Related Matters for IEISL and Executing Entities, applicable at its institutional level and to its EEs at activity/project level. This policy is linked to the ESPF, which was found by the AP to be in line with the GCF Environmental and Social Policy and PS 1–8 of the interim ESS standards. This policy describes internal procedures, including its grievance redress mechanism and related responsibilities, for screening, assessing and addressing issues raised. The applicant's Grievance Management and Communication Coordinator, who is viewed as functioning independently from the project operations staff, is responsible for the grievance redress mechanism and external communication.

61. The applicant provided a copy of the register for external inquiries/complaints on E&S matters received along with responses from the past three years. The applicant agrees to continue with this practice for GCF-funded projects/programmes.

62. The AP finds the applicant's E&S disclosure and public consultation policy to be in line with the GCF Information Disclosure Policy related to the E&S information disclosure requirements for E&S risk category B/I-2 projects/programmes. The ESPF requires the applicant's executing entities to include a grievance redress mechanism in projects financed by the applicant as part of the engagement process to ensure that consultation, disclosure and community engagement continue throughout the applicant's association with that project.

63. As per the ESPF, the engagement of project-affected persons in a structured and culturally appropriate manner is to be ensured for each project wherever relevant. This includes free, prior and informed consent and facilitating their informed participation as a means to establish whether a project has reasonably incorporated affected peoples' concerns within the framework of applicable legislation. The process and results of the consultation, including any actions agreed resulting from the consultation, are documented. The information disclosure takes place, in a culturally appropriate manner and in the local language, through requisite documents at appropriate stages of the project cycle.

64. The AP finds that the applicant's system for external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully comply with the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on the disclosure of E&S information for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.6 Section 6.4: Organizational capacity and competency

65. The applicant provided its organizational structure responsible for implementing the ESPF along with their authority and reporting lines. This comprises the ESPF Coordinator, who heads the Regional Coordinators and Project Coordinators. The applicant provided the E&S responsibilities of its staff, as outlined in the organizational chart, which are as follows: the CSC has been instituted for the implementation of ESPF. The E&S Cell comprises an E&S Coordinator supported by E&S specialists. The E&S Cell coordinates with the project managers from different teams on E&S risk assessments and monitoring. It further presents periodic updates on ESPF implementation to the applicant's Board. The project managers are responsible for conducting E&S risk assessment and monitoring for their respective projects. The applicant provided biodata on its E&S staff responsible for project/programme performance, showing that they have the knowledge, skills and experience necessary to understand and ensure the

implementation of PS 1–8 of the GCF interim ESS standards. The applicant also provided a list of wide-ranging E&S-related training undertaken by its staff.

66. To ensure the quality of E&S-related services, the applicant has empanelled ten E&S consultants and nine environmental laboratories across the country. The applicant indicated that it is a dynamic process, and the list of empanelled consultants and laboratories is updated from time to time. This list is used for engaging in various services as required by the different business units of the applicant.

67. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully comply with the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.3 Gender

68. The applicant provided its Gender Policy and Procedure adopted in August 2018, which the AP found to be in line with the GCF Gender Policy. The Gender Policy and Procedure has been approved by the applicant's Board and included in its Human Resource Manual.

69. The applicant's Gender Policy and Procedure reflects its commitment to bring about a behavioural and organizational change with respect to gender through the applicant's policies, procedures and processes. This will be brought about by promoting the better understanding of dimensions of gender discrimination and its effects through data collection from its activities. The aim is to develop clear guidelines which enable the applicant to achieve gender mainstreaming in its operations. In particular, the applicant seeks to:

- (a) Adopt a gender-sensitive approach in operations through knowledge- and capacity-building on gender inequality and its various dimensions;
- (b) Contribute to reducing the gender gap and the ensuing social, economic and environmental vulnerabilities, both existing as well as climate change-induced, in contemporary Indian society;
- (c) Achieve equality for women in GCF-funded operations by pursuing a policy of equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of interests, needs and priorities of women and men; and
- (d) Achieve non-discrimination in terms of benefits and remuneration for both women and men employee beneficiaries for GCF-funded projects at a minimum.

70. The applicant's Gender Policy and Procedure reflects its commitment to maintaining an environment where all women enjoy a safe, friendly and supportive working environment, free of harassment and exploitation. The applicant believes that sexual harassment and abuse damages both individual and organizational health. As a result, it has enacted and applied a policy on the sexual harassment of women at the workplace for prevention, prohibition and redress. As per this policy, an Internal Complaints Committee has been set up, and information is disseminated to the applicant's employees.

71. The applicant's Gender Policy and Procedure includes a requirement for its EEs to have non-discriminatory practices in terms of benefits and remuneration for both women and men employees. The applicant provided examples of its lending operations that specifically target women among project/programme beneficiaries. The applicant agrees to include the linkage between gender and climate change for GCF-funded projects/programmes.

72. The applicant currently does not have a gender expert on its staff. However, the applicant has provided a terms of reference for recruiting suitable candidates as gender experts and agreed to provide curricula vitae of gender staff/consultants who would be responsible for implementing its Gender Policy and Procedure for GCF-funded projects/programmes.

73. The AP finds that the applicant's gender policies and procedures are in line with the GCF Gender Policy. However, the applicant currently does not have a gender expert on its staff to implement its Gender Policy and Procedure for GCF-funded projects/programmes. The relevant gap identified in paragraph 72 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

## IV. Conclusions and recommendation

### 4.1 Conclusions

74. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant fully complies with the GCF basic fiduciary standards on transparency and accountability, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF AML/CFT Policy and the specialized fiduciary standard for project management. The applicant partially meets the requirements of the GCF basic fiduciary standards on key administrative and financial capacities and partially complies with the GCF Policy on Prohibited Practices. Specific actions are required by the applicant in order to fully meet the GCF basic fiduciary standards on key administrative and financial capacities. These actions include providing updated financial information for the assessment of its related company borrowing position; providing formal verification that it has engaged an external auditor; include in its procurement policy guidance on the management of conflict of interest situations specific to procurement activities; and implement a procurement dispute resolution policy. In order to fully comply with the GCF Policy on Prohibited Practices, the applicant needs to review and update its Code of Conduct and its Whistle Blower Policy and Vigil Mechanism to ensure these policies cover the scope of prohibited practices defined in the GCF Policy on Prohibited Practices;
- (b) The applicant meets the requirements of the GCF Environmental and Social Policy, the interim ESS standards and the GCF Information Disclosure Policy requirements on the disclosure of E&S information in relation to the medium E&S risk (category B/I-2); and
- (c) The applicant has demonstrated that it has policies and procedures in place to implement its Gender Policy and Procedure, which is found to be consistent with the GCF Gender Policy, and that it has experience with gender considerations in the context of climate change. However, the applicant currently does not have gender expert(s) on its staff to implement its Gender Policy and Procedure. The applicant has agreed to recruit at least one gender expert to help implement its Gender Policy and Procedure, once accredited.

### 4.2 Recommendation on accreditation

75. The AP recommends, for consideration by the Board, applicant APL093 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>15</sup>);

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<sup>15</sup> As per annex I to decision B.08/02, "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme".

- (ii) **Fiduciary functions:**
1. Basic fiduciary standards; and
  2. Specialized fiduciary standard for project management; and
- (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/intermediation 3 (I-3)<sup>16</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes. The conditions are as follows:
- (i) Conditions to be met prior to the signature of the accreditation master agreement during Stage III of the accreditation process:
1. Provision by the applicant of a copy of the audited financial statements for the fiscal year ending March 2019;
  2. Provision by the applicant of a letter issued by its Audit Committee confirming that a statutory auditor has been engaged to perform an external audit of IEISL for the fiscal year ending March 2020; and
  3. Provision by the applicant of a letter issued by the applicant's Managing Director explaining the actions the applicant is undertaking and those it plans to undertake to reduce its reliance on funding from Related Parties as defined in the list of entities disclosed in Note 40: "Related Party Disclosures" contained in the applicant's Report on the Consolidated Statements for the fiscal year ended 31 March 2018 and prepared by Deloitte Haskins & Sells. For the purposes of this condition, the actions to be considered are those undertaken or planned to be undertaken up to twenty-four (24) months from the date of the decision by the Board to accredit the entity in Stage II (Step 2) of the accreditation process;
- (ii) Conditions to be met prior to submission of the first funding proposal to GCF:
1. Provision by the applicant of evidence of recruitment of a gender expert or an external gender consultant to help with the implementation of the applicant's Gender Policy, including the expert's or consultant's curriculum vitae; and
  2. Provision by the applicant of evidence of the adoption by the Board of Directors a Procurement Dispute Resolution procedure; and
- (iii) Conditions to be met prior to the first disbursement by GCF for the first approved project/programme:
1. Provision by the applicant of evidence that it has included in its Code of Conduct and/or in its Whistle Blower Policy and Vigil Mechanism the required changes to ensure that either one or both cover the scope of all the prohibited practices defined in the GCF Policy on Prohibited Practices; and
  2. Provision by the applicant of evidence that it has updated its procurement policy and included guidance on potential conflicts of

<sup>16</sup> As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts".

interest, disclosure requirements and the designation of the officer to whom authority is delegated to resolve potential conflict of interest situations.

76. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 75 above, and agrees to the recommendation.

### 4.3 Remarks

77. The applicant may wish to consider:

- (a) Providing further AML/CFT training for relevant staff, mainly because its AML/CFT Policy was recently developed and the applicant has not yet acquired experience implementing this specific policy; and
- (b) Issuing a single document that contains all the conduct, behaviours and actions the applicant defines as prohibited practices; currently these definitions are contained in several organizational documents.

## **Annex XIX: Accreditation assessment of applicant 094 (APL094)**

### **I. Introduction**

1. Applicant 094 (APL094), Yes Bank Limited (Yes Bank), is a national private sector financial institute based in India. The applicant commits to contribute to the fulfilment of India's nationally determined contributions for climate change by mobilizing USD 5 billion by 2020 for climate action through lending, investing and raising capital for mitigation, adaptation and resilience efforts
2. It has geographical reach across all Indian states and is partnered with various international organizations to catalyse climate finance, such as the International Finance Corporation (IFC), the United Nations Environment Programme Finance Initiative and the United Nations Global Compact.
3. In order to advance the objectives of GCF, the applicant intends to mobilize finance towards renewable energy, energy efficiency, clean drinking water, green buildings, sustainable livelihoods and agriculture projects. It also intends to create a carbon sink by planting two million saplings and to offset carbon emission from its operations. In addition, it has developed processes and platforms to incorporate local knowledge at the community level into the implementation of its projects.

### **II. Stage I institutional assessment and completeness check**

4. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

#### **2.1 Legal status, registration, permits and licences**

5. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. Yes Bank was established in 2004 and is registered under the Reserve Bank of India, 1934, and the Banking Regulation Act, 1949.

#### **2.2 Institutional presence and relevant networks**

6. With a mission to create a commercially viable financial institution that incorporates sustainability within its core business focus, Yes Bank undertakes a "responsible banking" strategy and focuses on sustainable finance, innovative projects that address environmental and social concerns, and proactive investments for projects that have positive environmental and social impacts.
7. Yes Bank has undertaken its role in mainstreaming the 2030 Agenda for Sustainable Development and innovative climate finance at the global level. It has geographical reach across all Indian states and is partnered with various international organizations to catalyse climate finance, such as the International Finance Corporation (IFC), the United Nations Environment Programme Finance Initiative and the United Nations Global Compact.
8. In order to advance the objectives of GCF, the applicant intends to mobilize finance towards renewable energy, energy efficiency, clean drinking water, green buildings, sustainable livelihoods and agriculture projects. It also intends to create a carbon sink by planting two million saplings and to offset carbon emission from its operations. In addition, it has developed processes and platforms to incorporate local knowledge at the community level into the implementation of its projects.

## 2.3 Track record

9. Yes Bank has been working with diverse stakeholders from the government, non-governmental organizations, enterprises and international organizations and has shown expertise in various sectors for projects of different sizes and duration, in both adaptation and mitigation. Such activities typically fall within the GCF environmental and social (E&S) category A/I-1 or lower E&S risk levels.

10. The applicant's track record in financing climate change-related projects includes the following, which fall within the GCF medium-size categories:

- (a) USD 4.4 million (loans and equity) for a Rural Housing and Infrastructure Project;
- (b) USD 9.4 million (loans and equity) for the development and operation of storage food grain silo complexes;
- (c) USD 125 million (loans and equity) for the 100-megawatt (MW) Solar Power Project in West India; and
- (d) USD 187.4 million (loans and equity) for a 170 MW Wind Farm Project.

## III. Stage II accreditation review assessment

11. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of GCF.

12. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

## 3.1 Fiduciary standards

### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

13. The applicant has a clearly defined governance and oversight structure that formally defines the roles, responsibilities and assigned authority for each functional area and individual in the organization. The applicant's Board of Directors has several subcommittees with defined tasks, and their terms of reference, membership and attendance record are made public through the applicant's 2018–2019 Annual Report. There are also senior management committees, such as the Executive Credit Committee, the Asset Liability Management Committee and the Operational Risk Management Committee.

14. The applicant has a consistent and formal process to set objectives and ensure that the chosen objectives support and align with the mission of the applicant. The applicant's strategic plan has growth targets relating to total assets, advances, deposits, banking ratios, number of branches, customer allocation, staff numbers and return on capital. The strategic plan is the basis for the applicant's annual plans and budgets. A management committee meets on a quarterly basis and has oversight of the applicant's five-year strategic plan, including the key performance indicators, the risk profile of the applicant and the annual plans of the applicant's units.

15. The annual audited financial statements are consistent with the International Financial Reporting Standards and meet the requirements of the country's banking authority. The applicant's accounts are kept in Oracle FLEXCUBE, which is used by several other banks in the country.

16. The applicant has a robust internal control framework. Each department of the applicant has its procedures documented by way of a self-assessment matrix, and these are tested on a sampling basis through the operational risk management function. There is an authority matrix that applies throughout Yes Bank. There is a strong Operational Risk Management Policy that is consistent with the country's Companies Act.
17. The Audit Committee is a subcommittee of the Board of Directors. It met nine times in 12 months for the period ending 31 March 2019, and its five members attended all the meetings. The Audit Committee reviews and monitors the adequacy of the internal audit function. The AP's review of documents indicates that there is a strong internal audit unit with over 100 staff with an International Organization for Standardization 9001:2015 certification as a Quality Management System. These observations are consistent with documents and audit reports seen by the AP.
18. The applicant's internal audit approach is risk based and consists of extensive branch audits and headquarter audits, of which the AP reviewed a sample of internal audit reports covering areas of cash management, which include disbursements, and audits of the control department, which include procurement and aspects of information technology security. The internal audits are compliance oriented, and their reports are clear and have a high implementation rate for the recommendations.
19. The procurement system is guided by a clear policy that establishes a fair and transparent set of procurement rules with proper oversight. A policy for controlling the procurement procedures of GCF executing entities has recently been established. However, the applicant has provided ample examples of how it monitors its projects on a monthly and bi-monthly basis and frequently uses independent engineers to do so. These examples demonstrate that the applicant has the mechanisms in place and will be effective in controlling the procurements of projects financed by GCF.
20. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

21. The applicant has several policies relating to transparency and accountability, including: a code of conduct with wide applicability; a conflict of interest policy; an insider trading policy; a whistle-blower policy; and a vigilance policy. These policies have a clear tone from the top that financial mismanagement and other forms of malpractice, such as those listed in the GCF Policy on Prohibited Practices, are not tolerated. The applicant's policies are compliant with the requirement of the country's banking authority. The application of these policies is under the oversight of the Audit Committee.
22. The Fraud Investigation Unit, headed by the Chief of Internal Vigilance, has the required independence and operates under two committees of top managers, the Fraud Control and Suspicious Transaction Monitoring Committee and the Fraud Monitoring Committee of the Board of Directors. Complaints can be submitted through a web-based platform operated by an independent third party that is bound by the whistle-blower policy.
23. The applicant provided sufficient documentation, including evidence of the oversight activity, to demonstrate that the policies and practices described in the two paragraphs above are consistently applied.
24. The applicant has policies and procedures in place against money laundering and terrorist financing that are in line with the country's banking authority requirements and meet GCF requirements. Its "know your customer" due diligence process involves the scrutiny of the relationship manager, branch operations and central operations team. Criminal and terrorist

databases are checked as part of the “know-your-customer” review, and anti-money-laundering software warns of potential violations based on a predefined logical algorithm. The related systems, policies and procedures have been demonstrated to the AP, and they are regularly reviewed by internal audit. They are also overseen by the Audit Committee and reviewed on behalf of the country’s banking authority.

25. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of its track record, fully comply with the GCF basic fiduciary standards on transparency and accountability as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>1</sup> its Policy on Prohibited Practices<sup>2</sup> and its Anti-Money Laundering and Countering the Financing of Terrorism Policy.<sup>3</sup>

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

26. The applicant’s project management process is guided by two main operational policies: a Credit Policy that provides guidance on the identification, formulation and appraisal of projects; and a Project Oversight Policy, which was recently adopted to meet GCF fiduciary standards. The Project Oversight Policy provides guidance for overall project management, from project conceptualization to closure, particularly in relation to projects that would be financed by GCF either through grants or loans. The applicant provided examples of projects it has financed, which show that the project management process complies with its Credit Policy.

27. Projects financed by the applicant are appraised based on project reports prepared by the borrowers’ staff or external consultants. As part of the project appraisal process, the applicant ensures that all the projects under review comply with the Reserve Bank of India’s asset classification and reporting requirements, as well as the country’s labour laws, such as the Workmen’s Compensation Act 1923, Minimum Wages Act 1948, Equal Remuneration Act 1976, and Child Labour (Prohibition and Abolition) Act 1986.

28. To ensure project quality at entry, a project proposal goes through a multi-tiered scrutiny process of quality checks until it is approved by the Head of the Risk Management Team and ultimately by the Managing Director/Chief Executive Officer, depending on the size of the project.

29. Being a commercial bank, the applicant does not implement projects, and, as such, it does not prepare project implementation plans, including project budgets. However, as a best practice, it requires borrowers to prepare and provide such project implementation plans, including budgets, before applications for financing are approved.

30. The applicant has a comprehensive process for monitoring the projects it finances:

- (a) The applicant appoints a Lender’s Independent Engineer to carry out continuous oversight of the projects, including monitoring of project expenditure against the budget, and to highlight the results achieved and lessons learned at the end of the project implementation period;
- (b) Site visits are undertaken where necessary to monitor project status and help address any emerging problems;
- (c) Specific teams comprised of sectoral experts monitor the projects on a regular basis while relationship teams liaise with clients to receive updates on project progress; and
- (d) A management committee reviews project progress at the time of the annual renewal of loan facilities and may, on a case-by-case basis, increase project monitoring, impose

<sup>1</sup> Decision B.BM-2018/21 and its annex I.

<sup>2</sup> Decision B.22/19 and its annex XIV.

<sup>3</sup> Decision B.18/10 and its annex XIV.

new covenants or demand additional security in the event of unsatisfactory project progress.

31. The applicant has a well-established risk management function carried out by a Credit Risk Management Team comprised of credit risk professionals. The team operates independently and does not have business targets. It undertakes due diligence of project proposals with an emphasis on the identification of project risks and putting in place appropriate mitigation measures; it also monitors project progress on an ongoing basis. The Credit Risk Management Team also manages the applicant's project-at-risk system, which uses risk filters to identify/flag project problems at an early stage to ensure appropriate remedial actions are taken in a timely manner. The work of the Credit Risk Management Team is overseen by the Risk Monitoring Committee of the applicant's Board of Directors; this committee is responsible for overall risk governance and oversight.

32. To ensure transparency in the use of funds provided by GCF, the applicant has recently put in place an Information Disclosure Policy with provisions for the publication of project monitoring and evaluation reports, project results and beneficiaries. However, the effective implementation of the Information Disclosure Policy can only be demonstrated during and at the end of the implementation of a GCF-funded project/programme.

33. As the country's fourth largest private sector bank with a wide range of financial products and a network of over 1,000 branches, the applicant has a sound track record in project management guided by a set of mature policies and procedures. The applicant has financed several climate-related projects. Examples include:

- (a) A wind power project with an aggregate capacity of over 200 MW spread across various locations;
- (b) A 100 MW solar power project sponsored by one of the country's leading renewable energy groups; and
- (c) A residential and commercial real estate project with a focus on the country's Green Development and Responsible Urbanization Programme.

34. The AP finds that the applicant's policies, procedures and capacity, including its track record, do not fully meet the GCF specialized fiduciary standard on project management. The gap identified in paragraph 32 above is addressed by the corresponding condition for accreditation in section 3.2.

#### **3.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

35. The applicant provides grants to various entities/beneficiaries who meet specific eligibility criteria under its corporate social responsibility programme. The grant award programme is guided by four major policies:

- (a) Its Corporate Social Responsibility Policy, which lays out guidelines for the selection of potential partners in executing grant-funded projects/programmes. The policy is posted on the applicant's website and publicized in its annual reports along with summaries of grant activities financed by the applicant;
- (b) Its Corporate Social Responsibility Implementation Policy, which aims at ensuring that grant awards are implemented as planned. It also serves as a standard operating procedure for grant awards and lays out the framework/process for due diligence, monitoring and evaluation of grant award activities;
- (c) Its Project Oversight Policy to guide overall management of projects from conceptualization to closure. This policy was designed to meet GCF standards on project management and would apply to all GCF-financed projects; and

- (d) Its Information Disclosure Policy, which would apply specifically to projects/programmes financed by GCF either through grants and/or loans.
36. Responsibilities/authorities for the award of grants are clearly defined in the Corporate Social Responsibility Implementation Policy. Decisions on grant awards of up to INR 1,000,000 are made by the applicant's Internal Corporate Social Responsibility Committee. Decisions on grant awards exceeding this limit are made by the applicant's Managing Director/Chief Executive Officer on the basis of key focus areas approved by the Corporate Social Responsibility Board Committee.
37. The applicant has a number of focus areas to which grant funding is targeted. The focus areas, approved by the applicant's Corporate Social Responsibility Board Committee, include: livelihood security and enhancement, education and skills training, healthcare and social welfare, and environment sustainability. In line with these focus areas, the applicant identifies potential partners through market research. In this context, it looks at the capabilities, experience/track record and potential synergies. Potential partners are then invited to submit project proposals for which due diligence is carried out either internally or by an appointed third party. The grant proposals are then presented to the Internal Corporate Social Responsibility Committee for evaluation and final decision for grant amounts of up to INR 1,000,000. Approval of the Managing Director/Chief Executive Officer is required for grants exceeding this threshold.
38. The criteria for the selection of grant-funded project/programme partners include:
- (a) Number of operational years of the partner organization;
  - (b) Details of projects of comparable scale in the key focus areas financed by the partner organization in last five years; and
  - (c) Registration certificates under applicable laws.
39. A legally binding memorandum of understanding is to be signed with every grant implementing/executing partner before the disbursement of a grant award. The memorandum of understanding has adequate provisions for:
- (a) The grant awarding entity's right to visit partners' premises and have access to financial and other project records for the purpose of the applicant ensuring, for itself, its auditors and regulators, that the partners are complying with the terms and conditions of grant awards;
  - (b) Disbursement of grants in tranches based on agreed milestones;
  - (c) Ensuring that no grant is awarded retrospectively for activities already started or completed at the time of the application;
  - (d) Suspension, reduction or termination of the grant in the event of the beneficiary failing to comply with its obligations;
  - (e) An annual, periodic independent review and external audit of its grant award activities;
  - (f) Recovery of funds paid to the grantees with regard to expenditures that are unauthorized or fall outside the scope of the funding for the project; and
  - (g) A requirement to follow the grant awarding entity's procurement rules and procedures.
40. To ensure transparency in the use of funds that would be provided by GCF, the applicant has recently put in place an Information Disclosure Policy with provisions for providing access to the public to information on grant activities, including information on the periodic progress of individual projects and budget utilization. However, the effective implementation of the policy can only be demonstrated during the implementation of a GCF-funded project.

41. Upon completion of a project, a detailed project completion report (covering all aspects of project implementation from inception to completion) is prepared by the implementing agency in consultation with the applicant's Corporate Social Responsibility Core Team. The project completion report highlights lessons learned that inform the design and implementation of future projects.

42. The applicant has provided sufficient information, which demonstrates a sound track record of effectiveness and consistency in the implementation of its grant award policies, procedures and process. However, the AP finds that the applicant's policies, procedures and capacity do not fully meet the GCF specialized fiduciary standard for grant award and/or funding allocation mechanisms. A relevant gap is identified in paragraph 40 above and addressed by the corresponding condition for accreditation in section 3.2 .

### 3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees**

43. The applicant has policies that guide its on-lending, blending, equity and guarantee operations. The policies include procedures and guidelines for undertaking due diligence with clearly defined roles and responsibilities and appropriate formats/templates for assessing the capabilities of individuals or corporate bodies applying for financing for loans, equity and guarantees. Sample due diligence reports reviewed by the AP indicate that the applicant's framework/guidelines for undertaking due diligence are effectively implemented.

44. The applicant has recently adopted Information Disclosure Policy with provisions for providing information to the public regarding its decisions on on-lending and/or blending operations that would be funded by GCF as well as the beneficiaries and results of GCF-funded projects. However, the applicant has not demonstrated effective implementation of this policy as required by the GCF specialized fiduciary standard for on-lending, blending, equity investments and provision of guarantees as no GCF-funded projects have been approved and implemented.

45. The applicant has a proven track record, institutional experience and capacities in on-lending and blending of funds from different international and multilateral funding sources, such as IFC and the Deutsche Investitions- und Entwicklungsgesellschaft, a German development finance institution. The credit lines from IFC and Deutsche Investitions- und Entwicklungsgesellschaft are blended with the applicant's own resources to support the financing of small and medium-sized enterprises.

46. In addition to lines of credit from international and multilateral funding sources, the applicant has raised resources through the issue of green bonds for on-lending to green infrastructure projects. These bonds are guided by an internal green bond framework that has emphasis on natural resources conservation, biodiversity conservation, renewable energy, energy efficiency, sustainable waste management, sustainable land use, clean transportation, sustainable water management and climate change adaptation.

47. The applicant provided sufficient evidence, including annual accounts, reports on internal audits of key risk areas and external annual audits of its financial statements, to show that it has adequate procedures for ensuring that the funds it provides are channelled transparently and used effectively. Based on the information provided, the AP has found that the applicant has demonstrated its capacity to effectively and transparently channel funds that could be provided by GCF through an on-lending, blending, equity or guarantee structure.

48. The AP finds that the applicant's policies, procedures and capacity meet the GCF specialized fiduciary standard for on-lending, blending, making equity investments and providing guarantees. However, the applicant does not have a sufficient track record to meet this standard. The gap identified in paragraph 44 above is addressed by the corresponding condition for accreditation in section 3.2.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

49. The applicant decided in August 2017 to revise its application to apply for a maximum E&S risk category B/intermediation 2 (I-2)<sup>4</sup> rather than E&S risk category A/1-1. The applicant's E&S Policy was approved in 2013, replacing the 2005 version. The E&S Policy outlines the E&S responsibilities and a summary is available on the applicant's web page. It refers to national laws and country obligations under international laws, the Equator Principles and the Performance Standards 1 to 8 of IFC. The E&S Policy refers to an environmental and social impact assessment (ESIA) process aligned with Performance Standard 1. This process involves the assessment of the impacts of associated facilities and cumulative impacts and the application of a mitigation hierarchy to manage the impacts. An addendum to the E&S Policy, approved by senior management in July 2019 provides for GCF-specific requirements (e.g. it includes an indigenous peoples policy/guideline) and applies to any GCF-funded project/programme.

50. The applicant has signed relevant international initiatives, including the United Nations Environment Programme Finance Initiative, the Global Reporting Initiative and the Climate Disclosure Project, and developed national voluntary guidelines on responsible financing with its partners. It has been listed on the Dow Jones Sustainability Emerging Markets Index since 2015 until 2018.

51. The AP finds that the applicant's E&S Policy and addendum, supported by evidence of its track record, meet the GCF Environmental and Social Policy<sup>5</sup> and interim environmental and social safeguards (ESS) standards for maximum E&S risk category B/I-2 projects/programmes with respect to Performance Standards 1 to 8.

### 3.2.2 Section 6.2: Identification of risks and impacts

52. The E&S policy has an exclusion list to screen out certain types of projects (e.g. projects that use child labour). Projects/programmes are screened for impacts using IFC guidance and the project/programme documents (e.g. the ESIA report) are then categorized as A/I-1, B/I-2 or C/intermediation 3 (I-3). The addendum to the E&S policy provides additional guidance on how to categorize projects/programmes. The applicant provided a list of projects/programmes that were categorized using IFC guidance, demonstrating an adequate track record of screening and categorizing its projects/programmes as A/I-1, B/I-2 or C/I-3.

53. The AP finds that the applicant's system of identifying E&S risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.3 Section 6.3: Management programme

54. The E&S policy and its addendum provide the institutional process, tools, checklists and templates to manage mitigation measures, check compliance, develop corrective action plans and develop E&S covenants. A process flowchart shows how E&S management is integrated into all investment steps (e.g. pre-investment, pre-disbursement and post-disbursement). The

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<sup>4</sup> As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

<sup>5</sup> Decision B.19/06 and its annex X.

identified E&S risks and covenants are captured in the loan documentation. Sanctions can then be applied in the case of non-compliance, including the withholding of further disbursement. The applicant provided a sufficient track record showing application of its E&S management system over the project/programme cycle (e.g. the applicant's port project and wind energy and solar energy projects).

55. The applicant conducts internal and external third-party audits of its environmental and social management system (ESMS) and its annual sustainability report. Examples of its ESMS performance reports and examples showing that the ESMS was improved over time based on the performance reviews were provided and reviewed by the AP.

56. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

#### 3.2.4 Section 6.5: Monitoring and review

57. The applicant's E&S monitoring framework and procedures, E&S Policy and addendum to the E&S Policy require that compliance with project/programme-level E&S commitments and mitigation measures be monitored and linked to the disbursement of funds. The applicant's risk management framework requires an annual independent review to track E&S risks and the effectiveness of the mitigation measures. The applicant provided various types of E&S monitoring reports, including government monitoring reports, client reports and annual monitoring reports of its projects to show its track record of monitoring E&S against IFC Performance Standards 1 to 8. The applicant also demonstrated an adequate track record of reporting the monitoring and review findings to its senior management.

58. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

#### 3.2.5 Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism

59. The applicant is committed to E&S knowledge dissemination, specifically publishing reports on its E&S performance and carbon emissions. The applicant is required to comply with national requirements related to consultation. The addendum to the E&S Policy requires the applicant's executing entities to engage in inclusive, meaningful consultation with stakeholders during project/programme preparation and implementation. The applicant facilitates compliance with national requirements related to disclosure of E&S documents. The addendum to the E&S Policy specifically addresses the requirements for the disclosure of E&S information contained in the GCF Information Disclosure Policy.

60. The applicant's whistle-blower policy, 2017 Complaints Management Procedures and 2019 Grievance Redressal Policy (which includes the applicant's Grievance Redressal Mechanism) outline the procedures and timelines to address inquiries and complaints. The policies and procedures allow for confidentiality and the escalation of a concern, where needed. Several internal and external channels can receive inquiries and complaints (e.g. in person, by telephone, mail or email, or through social media e.g. Facebook). Also, the website provides a general contact button, an outline of the procedure to submit inquiries and complaints, an online complaints form and a whistle-blower portal and platform with an email address. Complainants can also opt to use the national banking ombudsman.

61. Inquiries/complaints, including any E&S inquiry/complaint, are managed at the lowest possible level, typically at branch level (level 1) through a designated officer or branch manager. Complaints that escalate to levels 2 and 3 are managed at headquarters by the

Complaints Management Team (a Grievance Redressal Officer for level 2 complaints and a Principal Nodal Officer for level 3) within the Retail Service Excellence and Quality Assurance Unit of the Risk Management Department. There are also regional nodal officers. All complaints received by telephone, email or letter are recorded and tracked in a database. The Complaints Management Team maintains the register and status of resolution of the inquiries and grievances. The Team also analyses the complaints to report to the Standing Committee, the Customer Service Committee and the applicant's Board of Directors, who together will consider unresolved complaints and the effectiveness of the redress mechanism. The complaints management process is audited by the Internal Audit Team; complaints received through the whistle-blower portal are presented to the Audit Committee. The applicant shared a register of external inquiries and complaints covering 2015 to 2018. There has not been any project-level E&S complaint submitted to the institutional-level system to date.

62. The addendum to the E&S policy requires the applicant's executing entities to establish a project/programme-level grievance mechanism (i.e. a mechanism that is understandable, transparent, gender-sensitive, culturally appropriate and easily accessible). The addendum specifies that project/programme stakeholders could also submit grievances through the institutional-level system.

63. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, meet the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy requirements on disclosure of E&S information for maximum E&S risk category B/I-2 projects/programmes.

### 3.2.6 Section 6.4: Organizational capacity and competency

64. The applicant provided an organizational chart and a flow chart to show the E&S reporting lines, responsibilities and roles. The applicant's Board of Directors and Risk Monitoring Committee provide oversight on E&S matters. The responsible banking division at headquarters implements the E&S Policy, supported by project/programme teams and the risk management department. The E&S Risk Analyst screens projects/programmes and recommends E&S covenants. The project/programme team incorporates the E&S covenants into the loan conditions. The loan management team, the E&S staff and the monitoring team monitor E&S compliance during implementation.

65. The curriculum vitae of the Chief Sustainability Officer and the three staff that identify E&S risks and implement the E&S Policy were provided. The applicant uses reputable external firms to conduct ESAs. The applicant provided a copy of its three E&S courses, showing routine and relevant internal E&S training from a basic to advanced level. The E&S courses are available on the applicant's online learning portal, with the basic course being mandatory for all employees. Evidence was provided to show that E&S staff attend external trainings, as needed. In addition, the applicant's sustainable investment banking team provides advisory services for clean renewable energy (e.g. solar), showing climate-relevant technical capacity and competency.

66. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category B/I-2 projects/programmes.

## 3.3 Gender

67. The addendum to the E&S Policy provides the applicant's Gender Policy/Guidelines, committing the applicant to gender equality and equity. The addendum provides a gender action plan template and a list of questions to guide a gender analysis; it requires gender-

sensitive stakeholder engagement, project/programme-specific gender analysis and a gender action plan, allocation of a gender budget, gender-sensitive data collection, gender-aware monitoring, evaluation and reporting, and a gender-sensitive grievance mechanism. The Gender Policy/Guidelines apply to all clients, projects/programmes and beneficiaries of future GCF project/programmes. The E&S policy includes gender requirements in line with the GCF Gender Policy. However, the applicant's capacity for gender risk assessment is currently limited (e.g. capacity to conduct or oversee gender assessments and gender analyses); it will continue to hire external gender consultants to implement its Gender Policy and to guide gender assessment and analysis for projects, until it has developed the capacities of its own in-house gender experts.

68. The applicant's annual reports, in line with the Global Reporting Initiative requirements, provide some gender-disaggregated data. For instance, the breakdown of employees by category, pay scale and gender is provided, demonstrating the applicant's application of its non-discrimination remuneration policy. The applicant has experience with developing special bank branches focused on serving women customers; it also has experience with projects that focus on lending to women-owned businesses.

69. The AP finds that the applicant's gender policies, procedures and capacity do not fully meet the GCF Gender Policy. The relevant gap related to capacity and competency for gender mainstreaming is identified in paragraph 67 above and is addressed in the corresponding condition for accreditation in section 3.2 of this document.

## IV. Conclusions and recommendation

### 4.1 Conclusions

70. Following its assessment, the AP concludes the following in relation to the application:

- (a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy. The applicant partially meets the specialized fiduciary standard for project management, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees. Relevant gaps are identified in paragraphs 32, 40 and 44 above. The gaps arise as the applicant has not demonstrated effective implementation of its recently approved Information Disclosure Policy. The gaps are addressed through the corresponding conditions for accreditation in section 3.2;
- (b) The applicant meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/1-2); and
- (c) The applicant partially meets the requirements of the GCF Gender Policy. The relevant gap is identified in paragraph 67 above. The gap arises as the applicant has not demonstrated in-house gender mainstreaming capacity and experience. The gap is addressed through the corresponding condition for accreditation in section 4.2.

### 4.2 Recommendation on accreditation

71. The AP recommends, for consideration by the Board, applicant APL094 for accreditation as follows:

- (a) **Accreditation type:**

- (i) **Maximum size of an individual project or activity within a programme:** medium (including micro<sup>6</sup> and small<sup>7</sup>);
- (ii) **Fiduciary functions:**
1. Basic fiduciary standards;
  2. Specialized fiduciary standard for project management;
  3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/ I-3<sup>8</sup>));
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met with the submission of the first funding proposal to GCF:
1. Provision of evidence by the applicant that it has strengthened the capacities of its gender expert to lead the implementation of its Gender Policy (e.g., the designated expert has received a certificate of professional development in gender from a reputable organization, e.g., United Nation Women’s Training Centre);
  2. Provision of evidence by the applicant of the development and implementation of gender training to the applicant’s staff on the applicant’s Gender Policy;
- (ii) Condition to be met on an annual basis for two consecutive years, starting from the date of the first disbursement by GCF for the first approved project/programme to be undertaken by the applicant:
1. Provision of evidence by the applicant of the publication on the applicant’s website of information on the periodic progress of the first approved GCF project/programme, including budget utilization; and
- (iii) Condition to be met within one year of the closure of the first GCF-funded project/programme to be undertaken by the applicant:
1. Provision of evidence by the applicant of the publication on the applicant’s website of the final evaluation report, including information on project results and beneficiaries, for the first GCF-funded project/programme.

<sup>6</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme”.

<sup>7</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>8</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

72. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 71 above, and agrees to the recommendation.

## Annex XX: Accreditation assessment of applicant 095 (APL095)

### I. Introduction

1. Applicant 095 (APL095), Cassa Depositi e Prestiti S.p.A. (CDP), is a public and private sector entity based in Italy that operates internationally. The applicant is an Italian national promotional institution mandated to promote international development and cooperation and national economic development and growth. The applicant supports national foreign policies, strategies and programmes with regard to international cooperation for sustainable development, human rights and peace, poverty eradication, conflict prevention and reconciliation, and education. In addition, the applicant acts as a financial institution and has carried out various activities to promote Italy's actions in development cooperation by providing finance to the government, local authorities and public entities and also in support of the local private sector.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 28 February 2018. Accreditation fees were received from the applicant on 8 August 2018, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 27 June 2019 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** international access;
- (b) **Track:** the applicant became fast-track eligible under the Directorate-General for International Development and Cooperation of the European Commission (DG DEVCO) part-way through Stage I;
- (c) Maximum size of an individual project or activity within a programme: large;<sup>1</sup>
- (d) Fiduciary functions:<sup>2</sup>
  - (i) Basic fiduciary standards;
  - (ii) Specialized fiduciary standard for project management;
  - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
  - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
- (e) **Maximum environmental and social risk category:** high risk (category A/Intermediation 1 (I-1)).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme".

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category A is defined as "Activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented".

3. The applicant initially applied under the normal track and later became eligible for the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Secretariat during Stage I under the normal track, and later in accordance with the requirements and gaps identified in decisions B.08/03 and B.12/30.

## 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant is a joint-stock company (Law Decree No. 269/2003) registered in Rome under the Chamber of Commerce, Industry, Handicrafts and Agriculture of Rome. The applicant's largest shareholder is the Ministry of Economy and Finance of Italy, followed by private shareholders and treasury shares. In accordance with Law n.125/2014, the applicant is authorized to perform the task of acting as a financial institution for international development cooperation.

## 2.2 Institutional presence and relevant networks

5. The applicant is a national promotional institution with its public mandate and acts as a financial institution. Therefore, the applicant serves as a bridge between the public and private sectors and aims to develop a 360-degree approach to address climate finance. The applicant deploys various financial instruments to invest in sectors where the scarcity of investments and the lack of coordination of interventions are likely to compromise the achievement of development goals. For example, the applicant crowds-in private sector actors through initiatives that help remove market distortions and improve market regulatory frameworks.

6. Furthermore, the applicant has a global presence in 69 countries in Africa, Asia Pacific, Eastern Europe, and Latin America and the Caribbean with a special focus on small island developing States and the least developed countries. It promotes investments in green economy and places "green initiatives" as a priority of its operations. As a lender and investor using its own resources, the applicant provides soft loans, sovereign loans, private loans and equity investments. In addition, it co-finances green projects and initiatives with various partners, such as national governments, private funds, multilateral development banks and international financial institutions.

7. The applicant supports the sustainable and low carbon growth of the private sector and promotes the financing of development cooperation projects. It aims to leverage more finance and provide financial support to advance the paradigm shift towards new development models to address climate change and sustainability issues, in particular by mobilizing finance to unblock bottlenecks to private investment by addressing the risks involved, and by developing an inviting business environment for climate investments.

8. The applicant is committed to the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development. It aims to identify a new balance between public and private resources and to foster effective public-private partnerships in order to achieve positive results in terms of transition to a low emission and climate-resilient economic system. It also intends to leverage its experience at the national level and focus on renewable energy, smart grids and energy savings through the promotion of clean and innovative technologies.

9. In order to advance the objectives of GCF, the applicant intends to deploy innovative financing tools and blending schemes to leverage private sector interventions. The applicant intends to finance climate projects in its identified strategic regions, such as Africa, small island developing States and South-East Asia. In addition, it aims to focus on both mitigation and adaptation actions and intends to prioritize the following GCF results areas:

(a) Energy generation and access;

- (b) Buildings, cities, industries and appliances; and
- (c) Infrastructure and built environment.

## 2.3 Track record

10. The applicant has track record in using different and innovative financing tools, including grants, loans, equity and guarantees, and also has experience in treasury, risk management and credit risk analysis. For example, the applicant has been working on launching a risk-sharing platform with multilateral financial institutions in order to provide guarantees to foster the financing of small renewable energy development projects for local private beneficiaries in Sub-Saharan Africa.

11. In collaborations with other financial institutions, the applicant also gained experience in managing the full project cycle from financial assessment, disbursement, financial monitoring in several key sectors of the economy.

12. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following:

- (a) USD 600 million (in grants) for the Kyoto Fund to improve energy efficiency of school buildings;
- (b) USD 28 million (in grants and loans) for a revolving fund for development cooperation to provide access to drinking water for schools, cities and rural areas in the Plurinational State of Bolivia;
- (c) USD 274 million (out of USD 274 million) (in loans) for the Mosul Dam project in Iraq;
- (d) USD 240 million (out of USD 800 million) (in loans) for a Lima Metropolitana Project in Lima, Peru;
- (e) USD 60.95 million (out of USD 265 million) (in equity) for a European Energy Efficiency Fund project to finance member states of the European Union through public-private partnerships in small-scale renewable energy and clean urban transport projects; and
- (f) USD 42 million (out of USD 140 million) (in guarantees) for a project in Italy to modernize the Milazzo refinery to reduce dust emissions and consumption of gas fuels.

## 2.4 Potential support for direct access entities

13. The applicant aims to support national and regional entities in improving their institutional functions, so that these entities have a strengthened capacity to better assist their countries in implementing a "green revolution" towards low carbon and climate-resilient development. For example, the applicant intends to support direct access entities through the following strategies:

- (a) Partnering with developing countries' subnational, national and regional entities as well as intermediaries in designing, developing and implementing projects for GCF;
- (b) Providing technical assistance in selecting specific projects and improving awareness and accountability in climate initiatives;
- (c) Providing capacity-building for risk assessment and management of financial issues related to investment projects, and development of innovative financial tools; and
- (d) Supporting direct access entities' partnerships with international and European financial organizations.

14. In addition, in order to support direct access entities in their accreditation to GCF, the applicant intends to provide for direct involvement of national and regional entities in projects and initiatives that CDP will bring forward to GCF. It intends to help direct access entities in the selection of appropriate financial instruments dedicated to projects that can contribute to GCF objectives. It also intends to share knowledge and experience gained in its network of international financial institutions to promote new initiatives.

### III. Stage II accreditation review assessment

15. The applicant is eligible for, and applied under, the fast-track accreditation process as a DG DEVCO entity. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against GCF accreditation standards in accordance with the requirements and gaps identified in decisions B.08/03 and B.12/30.

16. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application. The AP also undertook a site visit to the applicant's headquarters to gain better knowledge and understanding of its operations and check the information provided with the application and especially the applicant's capacity to meet GCF requirements under the Environmental and Social Policy and Gender Policy.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

17. As per paragraph 15 above, the basic fiduciary standards concerning key administrative and financial capacities is considered to have been met by way of fast-track accreditation.

##### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

18. As per paragraph 15 above, the basic fiduciary standards concerning transparency and accountability, with the exception of items 4.2.3, prohibited practices and whistle-blowers and witnesses, and 4.2.5, anti-money-laundering (AML) and countering the financing of terrorism (CFT) policies, have been met by way of fast-track accreditation.

19. Regarding item 4.2.3, the applicant has adequate policies and procedures and capacity to prevent or deal with financial mismanagement and other forms of malpractice. In this context, the applicant has: a code of ethics that lays out the institution's policy on zero tolerance for fraud, financial mismanagement and other forms of malpractice by staff and all other relevant parties associated directly or indirectly with the general operations of the applicant; avenues and tools for reporting suspected ethics' violations, misconduct and any kind of malpractice; a function for investigating allegations of fraud and corruption and other forms of malpractice; disclosure of conflict of interest procedures; and a policy and associated mechanisms for protecting whistle-blowers and witnesses.

20. The AP finds that the applicant's policies, procedures and capacity fully meet the GCF Policy on Prohibited Practices and its Policy on the Protection of Whistleblowers and Witnesses.

21. Regarding item 4.2.5, the applicant has a comprehensive AML/CFT Policy, which is designed to comply with: European Union Directive (2015/849); the Financial Action Task Force international standards and recommendations; Italian Legislative Decree 231/2007; and AML/CFT regulations of the Supervising Authorities (i.e. the Bank of Italy and the Italian

Financial Intelligence Unit. The framework for preventing money laundering and financing of terrorism includes:

- (a) “Know-your-customer” procedures to achieve real knowledge of counterparties. The procedures follow a risk-based approach and provide for enhanced measures/scrutiny in the case of clients with a high risk profile;
- (b) Systems and procedures to identify suspicious transactions which are reported to the Italian Financial Intelligence Unit;
- (c) Maintenance of a database where information is updated on a regular basis and stored for a least 10 years; and
- (d) Annual educational events to spread AML/CFT knowledge among the applicant’s employees.

22. The applicant’s “know-your-customer” due diligence procedures involve three key steps: client verification, registration of information, and reporting of suspicious transactions. Sample copies of recent reports on “know-your-customer” due diligence undertaken were provided. The reports are comprehensive and are consistent with the applicant’s “know-your-customer” due diligence procedures. The applicant traces and monitors the transfers of funds between itself and its clients by keeping records of all transactions in a dedicated financial transactions database. Sample copies of reports on monitoring of funds transfer were provided.

23. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability by way of fast-track accreditation, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>4</sup> GCF Policy on Prohibited Practices<sup>5</sup> and the GCF AML/CFT Policy.<sup>6</sup>

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

24. The applicant has several policies, frameworks and guidelines used in the management of its loan, equity investment and guarantee operations. The main ones include:

- (a) Project preparation and appraisal guidelines;
- (b) Procedures for undertaking project quality review during the project preparation and appraisal processes;
- (c) Procedures for assessing project risks, including provisions for the development and implementation of appropriate risk mitigation strategies and actions;
- (d) Policies and operational procedures for the preparation of project implementation plans and budgets;
- (e) Project monitoring and evaluation procedures; and
- (f) Policies and procedures relating to project closure.

25. The applicant also has an Evaluation Disclosure Policy that provides guidance on disclosure of project information in accordance with the applicant’s “Regulation for the Disclosure of Privileged Information to the Public”. The information provided by the applicant clearly demonstrates that the above policies and procedures are effectively implemented.

26. The applicant has a sound process for undertaking project quality review during the project preparation and appraisal stages. The first stage of this process is performed by the Risk

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<sup>4</sup> Decision B.BM 2018/21 and annex I thereto.

<sup>5</sup> Decision B.22/19 and annex XIV thereto.

<sup>6</sup> Decision B.18/10 and annex XIV thereto.

Operation Department, which is independent of the business unit that originates the project proposal. The second stage of the process is carried out by the Credit Committee, comprising representatives of the Legal, Risk Operation, Risk Management Compliance, and Finance Departments. Sample quality review reports were provided and show that the process operates effectively.

27. The applicant has well-documented procedures for monitoring and evaluation of its lending, equity finance and guarantee operations. However, even though in practice the applicant uses independent advisers to carry out evaluations of some of the projects it finances, these procedures did not include specific provisions for independent evaluation of projects/programmes as required by the GCF specialized fiduciary standard for project management. Accordingly, the applicant has subsequently revised its monitoring and evaluation procedures to include a clear requirement for independent evaluation of GCF-funded projects.

28. The applicant's overall project oversight and control function is handled by two main units. While the Business Management Unit monitors the overall project implementation progress, the independent Internal Audit Unit focuses on monitoring counterparty compliance with the applicant's internal policies, procedures, as well as the terms and conditions set out in financing agreements.

29. The applicant has a project-at-risk system, which is independent of the project implementation and project supervision functions. The system is overseen by the Business Management Unit. Examples of project problems identified and addressed to demonstrate effectiveness of the use of the system were provided.

30. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard on project management.

#### **3.1.4 Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

31. As per paragraph 15 above, the specialized fiduciary standard for grant award and/or funding allocation mechanisms is considered to have been met by way of fast-track accreditation.

#### **3.1.5 Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees**

32. The applicant has a set of well-documented policies and procedures for its on-lending, blending, equity and guarantee operations. These include: due diligence policies and procedures for assessing the capabilities of the counterparties seeking financing; an investment management policy; and a comprehensive risk management policy. The latter has provisions for implementing risk management strategies to mitigate a broad range of risks including equity risk, credit risk, liquidity risk, exchange rate risk, operational risk, reputational risk, country risk, and interest rate risk.

33. The applicant has a policy/guidelines for publishing information on its lending, equity and guarantee operations. The information is made available to the public by publication on the applicant's website and in its annual report. In addition, as required by the GCF specialized fiduciary standard for on-lending and/or blending, the applicant provides public access to information, via its website, on beneficiaries and results of the projects it finances. Evidence of publication of information on the applicant's operations was provided.

34. The applicant has experience and capacities in mobilizing funds for its on-lending, blending, equity investment and guarantee operations from international and multilateral

sources. In 2015, the applicant successfully passed the European Union Seven Pillars Assessment Procedure for the management of resources available under the European Union blending facilities for the financing of international development cooperation projects. The applicant is currently participating in two initiatives with other international development financial institutions aimed at stimulating investment in Africa. The applicant is also in the process of negotiating with the European Commission the terms of three Guarantee Agreements, including:

- (a) A guarantee programme for a renewable energy initiative whose aim is to support the financing of small renewable energy plants in sub-Saharan Africa;
- (b) A programme jointly promoted by the applicant and two other development finance institutions which aims at addressing the causes of migration inflows from sub-Saharan Africa by promoting financial inclusion and local entrepreneurship; and
- (c) An initiative promoted jointly with the African Development Bank to support the development of Africa's most ambitious small and medium-sized enterprises.

35. The applicant has a system for ensuring that the funding it provides is used for the intended purposes. In accordance with the applicant's business management procedures, the Internal Audit Division verifies the effective allocation and utilization of the financing provided by the applicant. Examples of internal audit reports on the use of funds and evidence of advantages to final beneficiaries were provided.

36. The applicant provided information that shows there is clear segregation of the treasury function and operations. The segregation of duties is demonstrated in relation to disbursement of financing provided by the applicant. Disbursement requests are prepared by business units which are entered into the applicant's information technology system along with supporting documentation. The Treasury Office receives the request for payment directly from the information technology system, verifies the supporting documentation and proceeds with the payment.

37. In addition to its lending and on-lending activities, the applicant undertakes equity investments primarily through investment in funds set up by institutions such as the European Investment Bank, the European Commission and other entities. Examples of such funds include: (a) the European Energy Efficiency Fund, whose main objective is to combat climate change through investments proposed by public bodies within the European Union; and (b) InfraMed Fund, sponsored by the applicant, the European Investment Bank and French, Moroccan and Egyptian financial institutions to support diversified long-term investments in infrastructure in the fields of transport, energy and urban areas development. The applicant also provides guarantees for loans by the European Investment Bank and other financial institutions to finance a broad range of private and public sector activities, such as the financing of an oil refinery to improve energy efficiency and operational reliability and ensure compliance with Italy's national environmental legislation, and a project for increasing the availability and quality of broadband services in Italy and Brazil. Although the applicant does not provide grant financing from its own resources it has a strong track record in managing grants from the European Commission, the Italian Ministry of Environment and other donors. Examples of grant funds managed by the applicant on behalf of the various donors were provided.

38. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

## 3.2 Environmental and social safeguards standards

### 3.2.1 Section 6.1: Environmental and social policy

39. The applicant provided its new draft Environmental, Social (E&S) and Gender Policy, The draft E&S and Gender Policy also refers to the United Nations Sustainable Development Goals, a scaled risk-based approach, use of a mitigation hierarchy and stakeholder engagement.

40. The service provider for E&S services is within the applicant's group structure. It provides E&S services to group members, including to the applicant. The service provider has adopted and implemented the Organisation for Economic Co-operation and Development Recommendation of the Council on Common Approaches for Officially Supported export Credits and Environmental and Social Due Diligence (the Common Approaches) since 2001, as its Environmental and Social Management System (ESMS) when providing all E&S services. The principles and objectives of the Common Approaches focus on: human rights; the International Labour Organization Declaration on Fundamental Principles and Rights at Work; host country standards and regulations; related international agreements and conventions; E&S assessment procedures aligned to the International Finance Corporation (IFC) performance standards (PS) 1-8 on environmental and social sustainability; and World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines). The applicant has signed a new agreement with the service provider for it to conduct the E&S assessment of any GCF-funded project/programme.

41. The applicant has endorsed the declaration by the European Long-Term Investors Association<sup>7</sup> to contribute to the transition to a low carbon economy. The applicant's commitment to energy transition and climate change (as well as to equal opportunity, non-discrimination and social change) are highlighted in its 2018 Annual Report.

42. The new draft E&S and Gender Policy will be approved and made publicly available by the end of 2019/early 2020. The AP finds that the applicant's draft E&S and Gender Policy (including annexes) once adopted, supported by its E&S service providers' track record under the Common Approaches, will meet the GCF Environmental and Social Policy<sup>8</sup> and interim environmental and social safeguards (ESS) standards for maximum E&S risk category A/I-1 projects/programmes with respect to PS 1-8. The gap related to the applicant's Board approving the draft E&S and Gender Policy identified in paragraph 39 above is addressed by the condition for accreditation in section 4.2 of this document.

### 3.2.2 Section 6.2: Identification of risks and impacts

43. The applicant's draft E&S and Gender Policy describes the institutional process to identify E&S risks and impacts and to categorize projects/programmes, in line with IFC PS 1-8. The service provider has the tools (e.g. checklists) and personnel to conduct this process, categorizing projects from A/I-1 (projects with significant impacts) to C/I-3 (projects with minimal impacts) and identifying further E&S studies, where needed. The service provider provides the screening/categorization report to the applicant's Business Unit (e.g. international development department) and Risk Department. The Sustainability Unit supervises and provides oversight, ensuring compliance of the applicant's ESMS.

44. The applicant provided a list of projects (e.g. two combined-cycle power plants, an urban development project and a food/beverage project), which were categorized on its behalf by the service provider to demonstrate its track record of categorizing projects from A/I-1 to C/I-3 using IFC PS 1-8.

45. The AP finds that the applicant's system to identify E&S risks and impacts and to categorize projects, supported by its E&S service providers' track record under the Common Approaches, meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

<sup>7</sup> See <<https://www.eltia.eu/>> and <[http://www.d20-ltic.org/images/ELT1\\_website\\_info\\_as\\_brochure.doc\\_3.pdf](http://www.d20-ltic.org/images/ELT1_website_info_as_brochure.doc_3.pdf)>.

<sup>8</sup> Decision B.19/06 and annex X thereto.

### 3.2.3 Section 6.3: Management programme

46. The draft E&S and Gender Policy describes in detail the applicant's ESMS and institutional process to manage mitigation measures and actions stemming from the E&S risk and impact identification process, from risk identification to monitoring, reporting and evaluation. The policy includes process flowcharts showing integration of E&S into the applicant's project cycle and project-appraisal cycle. The project-appraisal cycle requires that all risks (i.e. economic, financial and E&S risks) be assessed. In the case of E&S risks, the service provider or an external supplier will review the full ESIA (category A/I-1) or limited ESIA (category B/I-2). When the ESIA predicts E&S risks and impacts, the E&S mitigation measures and time-bound corrective actions are outlined in an Environmental and Social Management Plan (ESMP) and/or Environmental and Social Action Plan (ESAP), in line with IFC PS 1-8 and the EHS Guidelines.

47. The ESIA findings are summarized by the service provider, including any proposed E&S loan conditions, in conjunction with the applicant's Business Unit and Sustainability Unit. The applicant's Risk Department reviews all risks and submits its overall findings to senior management, for final decision-making.

48. The applicant provided a copy of the service provider's ESMP/ESAP template and several ESMPs/ESAPs (e.g. for the combined-cycle power project and urban transportation project) to demonstrate integration of E&S risk management over the project cycle in line with IFC PS 1-8.

49. The AP finds that the applicant's management programme, supported by evidence of its E&S service providers' track record, meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes.

### 3.2.4 Section 6.5: Monitoring and review

50. The draft E&S and Gender Policy describes the E&S monitoring, review and reporting framework and procedure. The framework comprises project-specific annual performance reports, and interim and final evaluations/audits to ensure implementation of the ESMPs/ESAPs and E&S conditions. The applicant's projects are subject to three levels of internal control:

- (a) The service provider is responsible for E&S monitoring, review, reporting and coordination on any follow-up action, which can include site visits and conference calls with relevant parties. An independent consultant is typically hired (especially under co-financing arrangements) to assess the implementation and effectiveness of mitigation measures. The monitoring and review reports are checked by the applicant's Business Unit and Operational and Legal Department;
- (b) The applicant's Risk Management Department conducts the second-level check on all risks and mitigation measures; and
- (c) The applicant's Sustainability Unit conducts the third-level oversight check, compiling the periodic and final E&S monitoring and review reports based on the information from the other levels.

51. In the case of a GCF-funded project/programme, the applicant will use a risk-based approach to monitor all projects from category A/I-1 (frequent monitoring) to C/I-3 (limited monitoring to confirm the category C/I-3 designation).

52. The draft policy requires that the effectiveness of ESMP/ESAP mitigation measures and the effectiveness of the ESMS be reviewed periodically to capture lessons learned during implementation and to align with the evolving international best practices. The draft policy requires the review results to be reported to its senior management on a periodic basis. The

draft E&S and Gender Policy provides a monitoring report template, which covers the requirements of IFC PS 1-8.

53. Several ESAP monitoring reports (e.g. for the steel mill project, transportation project and combined-cycle power plants) were provided, demonstrating that the applicant's projects under the Common Approaches framework are monitored and reviewed against IFC PS 1-8, that the implementation and effectiveness of the mitigation measures are reviewed by external independent consultants, and that additional corrective measures are identified and tracked, where needed.

54. The applicant does not have a track record in conducting ESMS effectiveness reviews and reporting the results to its senior management. This track record will be built once it starts implementing its new ESMS for a GCF-funded project/programme.

55. The AP finds that the applicant's system of monitoring and review, supported by evidence of its E&S service provider's track record under the Common Approaches framework, partially meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes. The relevant gap identified in paragraph 54 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

### **3.2.5 Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism at the institutional level**

56. The draft E&S and Gender Policy requires projects to have a stakeholder engagement plan to describe the process to conduct meaningful consultation and the provisions for E&S information disclosure. Furthermore, ESIA/ESMPs/ESAPs must document all consultation meetings and describe the schedule for communicating with the affected communities. The draft policy requires category A/I-1 and B/I-2 projects to be disclosed 120 days and 30 days, respectively, before Board approval, with the documents provided in English and the local language. This requirement is aligned to the requirements for E&S information disclosure in the GCF Information Disclosure Policy.

57. The applicant provided a track record for consultation and information disclosure in line with the Common Approaches (i.e. category A/I-1 ESIA were disclosed 30 calendar days before final commitment). The applicant will apply the consultation and information disclosure provisions of its new draft E&S and Gender Policy to all GCF-funded projects/programmes.

58. The applicant provided its 2016 grievance redress mechanism (GRM) policy ("Rules for Managing Complaints"). The applicant's website provides its GRM procedure ("Complaints Procedure") and a link to the complaints form. The GRM policy and procedure are in line with best practices (e.g. transparency, accessibility, and predictability) and describe the type of complaints eligible for resolution under the GRM, the expected timelines and the appeal procedure. Complaints can be submitted by letter, fax, or through a dedicated email address. The draft E&S and Gender Policy refers to the applicant's GRM policy and procedure, further emphasizing good-practice GRM principles. The draft E&S and Gender Policy also explicitly requires the applicant's executing agencies to provide an adequate project-level GRM.

59. The applicant provided evidence of its competency to manage its GRM, submitting the curricula vitae of its Compliance Unit staff assigned to register and manage complaints. The Compliance Unit staff provide annual reports to senior management on the status of grievances and the effectiveness of the GRM. The applicant also provided a register of complaints for 2016 to 2017. No E&S complaints have been submitted to the applicant's GRM system to date.

60. The applicant indicated that it will establish a dedicated web portal, with its own independent GRM, for its GCF-funded projects/programmes.

61. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its E&S service provider's track record, partially meets the requirements of the GCF Environmental and Social Policy, interim ESS standards and GCF Information Disclosure Policy requirements on disclosure of E&S information for maximum E&S risk category A/I-1 projects/programmes. The gap identified in paragraph 60 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

### 3.2.6 Section 6.4: Organizational capacity and competency

62. The applicant provided various organizational charts and two process flowcharts to show the E&S reporting lines and the departments responsible for the ESMS. The draft E&S and Gender Policy identifies in detail the E&S responsibilities and roles, as follows. The Internal Auditing Department assesses the suitability of the internal control systems and compliance with applicable rules and management instructions. Audit findings are reported to senior management through the Board Risk Committee, Board of Directors, and Board of Statutory Auditors on a quarterly basis. The Operations Management Department ensures that the counterparty is meeting its contractual obligations.

63. The applicant's Risk Department is responsible for E&S risk assessment; the Business Unit is responsible for ESMS implementation and monitoring. The Sustainability Unit coordinates and supervises the ESMS implementation and is responsible for updating and disseminating the E&S and Gender Policy/ESMS. The service provider performs the E&S activities (i.e. screening/categorization, recommending E&S covenants and monitoring and review), submitting E&S findings to the applicant's Business Unit and Risk Department.

64. The applicant provided the curriculum vitae of its service provider staff, as well as work samples, showing capacity to identify E&S risks, categorize projects and monitor and review ESMP/ESAP performance. The applicant also provided the curricula vitae of its own internal staff responsible for the ESMS implementation and supervision.

65. The service provider has trained the applicant's staff in line with the Common Approaches and a copy of the E&S training materials was provided. The applicant will need to conduct a training programme in early 2020 to disseminate and build capacity to fully implement the new E&S and Gender Policy.

66. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its E&S service provider's track record, partially meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category A/I-1 projects/programmes. The gap identified in paragraph 65 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

## 3.3 Gender

67. The draft E&S and Gender Policy provides the applicant's Gender Policy and gender-sensitive approach. It supports a country-ownership approach, refers to the gender requirements under IFC PS 1, 2, 5 and 7 and requires gender analysis, a gender action plan and gender-sensitive monitoring and evaluation over the project cycle. The gender provisions apply to all clients and beneficiaries of any future GCF project/programme.

68. The applicant's Code of Ethics emphasizes that it is an equal opportunity employer and that it does not discriminate on the basis of gender or sexual orientation. The new management model is oriented towards creating a non-discriminatory and inclusive work environment.

69. The applicant provided the curricula vitae of the service provider's staff, responsible for the gender aspects related to IFC PS 1, 2, 5 and 7 and the curricula vitae of its Sustainability Unit

staff specifically responsible for gender mainstreaming in line with the new draft E&S and Gender Policy. As the draft E&S and Gender Policy is new, the applicant will need to train its staff on the gender provisions of the new draft E&S and Gender Policy in early 2020.

70. The applicant's commitment to gender equity and gender equality is highlighted in its Annual Reports. The applicant provided project examples with components to enhance the participation of women (e.g. through a technical training project that trained low-income women in non-traditional skills, such as carpentry; a programme, which included a gender equality analysis, that focused on encouraging diaspora investments into small and medium-scale enterprises, including women's enterprises). The applicant is a founding member of the 2X Challenge,<sup>9</sup> a programme that provides capital to improve women's leadership skills, access to finance and access to gender-sensitive products and services.

71. The AP finds that the applicant's gender policies, procedures and capacities, supported by evidence of its E&S service provider's track record, partially meets the GCF Gender Policy requirements. The gap identified in paragraph 69 above is addressed by the corresponding condition for accreditation in section 4.2 of this document.

## IV. Conclusions and recommendation

### 4.1 Conclusions

72. Following its assessment and noting that the applicant has applied under the fast-track accreditation process, the AP concludes the following in relation to the application:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices and the GCF AML/CFT Policy, specialized fiduciary standard for grant award and/or funding allocation mechanisms, specialised fiduciary standard for project management, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.
- (b) The applicant partially meets the requirements of the GCF E&S Policy and interim ESS standards as well as the GCF Information Disclosure Policy requirements on disclosure of E&S information in relation to the high E&S risk (category A/I-1). The main gaps identified in paragraphs 39, 54, 60 and 65 above relate to the applicant having a new draft E&S and Gender Policy approved by its Board; conducting and reporting on ESMS effectiveness reviews; establishing an independent GRM on its portal for GCF-funded projects/programmes; and implementing a training programme to disseminate the new E&S and Gender Policy. The gaps are addressed in the corresponding conditions for accreditation in section 4.2 of this document; and
- (c) The applicant has demonstrated that it partially meets the competencies in order to implement its Gender Policy. The main gap identified in paragraph 69 above, relating to training its staff on the gender provisions in the new draft E&S and Gender Policy, is addressed in the corresponding condition for accreditation in section 4.2 of this document.

### 4.2 Recommendation on accreditation

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<sup>9</sup> See <<https://www.2xchallenge.org>> and <[https://www.cdp.it/sitointernet/page/en/women\\_empowerment\\_3\\_billion\\_dollars\\_for\\_investment\\_in\\_women?contentId=PRG20059](https://www.cdp.it/sitointernet/page/en/women_empowerment_3_billion_dollars_for_investment_in_women?contentId=PRG20059)>.

73. The AP recommends, for consideration by the Board, applicant APL095 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or activity within a programme:** large (including micro,<sup>10</sup> small<sup>11</sup> and medium<sup>12</sup>);
  - (ii) **Fiduciary functions:**
    - 1. Basic fiduciary standards;
    - 2. Specialized fiduciary standard for project management;
    - 3. Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
    - 4. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and
  - (iii) **Maximum environmental and social risk category:** high risk (category A/I-1) (including lower risk (category B/intermediation 2 (I-2)<sup>13</sup> and category C/intermediation 3 (I-3)<sup>14</sup>);
- (b) **Conditions:** the applicant will be required to submit to the AP, through the Secretariat, information on how it has complied with the conditions. The AP will thereafter assess whether the conditions have been met. This assessment will be communicated by the Secretariat, on behalf of the AP, to the Board for information purposes:
- (i) Conditions to be met prior to the signature of the accreditation master agreement during Stage III of the accreditation process:
    - 1. Provision of evidence by the applicant of the adoption by its Board and publication on its website of the E&S and Gender Policy; and
    - 2. Provision of evidence by the applicant demonstrating that the applicant has implemented its 2019 training programme on the new E&S and Gender Policy (i.e. provide the training materials and workshop report);
  - (ii) Condition to be met prior to the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
    - 1. Provision of evidence by the applicant demonstrating that the web portal for the first approved GCF project/programme was established

<sup>10</sup> As per annex I to decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including USD 10 million for an individual project or an activity within a programme”.

<sup>11</sup> As per annex I to decision B.08/02, “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>12</sup> As per annex I to decision B.08/02, “medium” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme”.

<sup>13</sup> As per annex I to decision B.07/02, category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures” and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented”.

<sup>14</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

and that this web portal has its own independent grievance redress mechanism for this first project/programme; and

- (iii) Condition to be met within two years of the first disbursement by GCF for the first approved GCF project/programme to be undertaken by the applicant:
  - 1. Provision by the applicant of a final report prepared by an independent body assessing the effectiveness of the implementation of the applicant's ESMS, which shall include examples of its application and of lessons learned.

74. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 73 above, and agrees to the recommendation.

## Annex XXI: Accreditation assessment of applicant 096 (APL096)

### I. Introduction

1. Applicant 096 (APL096), Save the Children Australia (SCA), is a non-governmental organization (NGO) based in Australia that operates internationally through its network. With its vision of ensuring a world in which every child attains the right to survival, protection, and development, the applicant tackles various issues that affect children, including access to health and education, saving lives in a disaster, mitigating and adapting to climate change and protecting children from harm. The applicant manages various programmes related to climate change adaptation, disaster risk reduction, education, health and nutrition, and urban and humanitarian areas, among others. It integrates knowledge of climate change impacts into its programmes, which helps children and their communities to better prepare for future disasters and the effects of climate change and helps to safeguard the outcomes of the programmes.

2. The applicant submitted its application for accreditation to the Secretariat via the online accreditation system on 30 May 2017. Accreditation fees were received from the applicant on 17 October 2017, thereby launching the Stage I institutional assessment and completeness check. Stage I was completed on 21 December 2018 and the applicant was progressed to the Stage II (Step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or activity within a programme:** small;<sup>1</sup>
- (d) **Fiduciary functions:**<sup>2</sup>
  - (i) Basic fiduciary standards; and
  - (ii) Specialized fiduciary standard for project management; and
- (e) **Maximum environmental and social risk category:** minimal to no risk (category C).<sup>3</sup>

### II. Stage I institutional assessment and completeness check

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process.

#### 2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was registered under the Australian Securities and Investments Commission on 29 November 2004 (Company No. 008-610-035) and provided documents to demonstrate its legal status.

<sup>1</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme”.

<sup>2</sup> Decision B.07/02.

<sup>3</sup> As per annex I to decision B.07/02, category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts” and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts”.

## 2.2 Institutional presence and relevant networks

5. The applicant, a global NGO, has work that spans across 125 countries around the world in Africa, the Middle East, Pacific Islands, South Central Asia and South-East Asia. It has worked with local communities, various levels of government, international NGOs, advocacy groups, academia, private sector entities and the media.

6. In order to advance the mission and objectives of GCF, the applicant intends to develop community-based adaptation projects in developing countries. In order to ensure that the potential projects address national needs and priorities, the applicant intends to undertake initial analyses of national climate change policies and strategies and understand how the national needs intersect with the areas of expertise in SCA programming. The applicant also intends to actively engage with national designated authorities from the start of the project design phase to ensure that the funding proposals would support national priorities and local needs on climate change.

7. In addition, the applicant intends to build on its existing global experience to develop innovative approaches to the climate change adaptation challenges facing poor and vulnerable children and their communities. The applicant aims to place children at the core of disaster risk reduction and resilience building, which would allow children's needs and capacities to be considered in the way people prepare for, react to and recover from disasters and adapt to longer-term changes.

8. To generate the potential for a paradigm shift in risk reduction and resilience building actions, the applicant also intends to scale up community-based adaptation approaches by partnering with governments, local communities and private sector entities.

## 2.3 Track record

9. The applicant's climate change work focuses on disaster risk reduction and building the resilience of children and their communities to the adverse impacts of climate change. For example, the applicant worked with its partners to improve the way communities, schools and governments plan for climate change impacts and integrate these plans into policies. The applicant also focuses on the education sector to safeguard investments in the sector, on ensuring safe construction projects that could be resistant to natural disasters and on raising public awareness through campaigns to help children and families to prepare for disasters.

10. In addition, the applicant has experience working in a consortium with pre-defined project partners to reach scale and to deliver transformative change with communities for adapting to climate change impacts. The applicant's track record in financing sustainable development and climate change-related projects to date includes the following:

- (a) USD 47.8 million (in grants) for the 'Western Program of Integrated Food Security and Food Action' project in Guatemala;
- (b) USD 29.85 million (in grants) for the project Livelihoods, Agriculture and Health Interventions in Action in the Niger;
- (c) USD 26.68 million (in grants) for the project Children of Uruzgan in Afghanistan; and
- (d) USD 1.83 million (in grants) for the Sayaboury Integrated Hazard Mitigation Project in the People's Democratic Republic of Laos.

## 2.4 Potential support for direct access entities

11. While recognizing direct access entities as the future for the majority of climate finance flows, the applicant intends to play a complementary role as an international NGO to help to ensure that climate finance reaches the most vulnerable people in developing countries. The applicant, if accredited, intends to closely collaborate with national designated authorities to identify partners at the national level, within the scope of SCA expertise and projects, that may be candidates for accreditation as direct access entities. Thereafter, the applicant would work with these entities through GCF-funded projects/programmes to build the required capacities, including financial management, technical knowledge, social and environmental safeguards, gender equality, and child protection.

12. Furthermore, the applicant intends to work with subnational governments, civil society and project partners to build capacity to develop and implement adaptation projects that meet community needs while ensuring that project partners' fiduciary, environmental and social (E&S) standards meet SCA standards and those of GCF. In doing so, SCA aims to ensure that subnational partners are well placed to channel future climate finance to local communities to address their adaptation needs.

### III. Stage II accreditation review assessment

13. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during Stage II (Step 1) against the standards of GCF.

14. As part of this assessment, the AP consulted the applicant's website and third-party websites to complement the information provided in the application.

#### 3.1 Fiduciary standards

##### 3.1.1 Section 4.1: Basic fiduciary standards: key administrative and financial capacities

15. SCA has a non-executive Board consisting of six to 14 directors elected by members. Directors receive appropriate expenses but no remuneration. Members serve a three-year term and can be re-elected for up to a maximum of nine years of service. The Board meets at least six times per year and has three subcommittees: the Audit (Board Audit Committee (BAC)), Human Resources (Board Human Resources Committee (BHRC)) and Programs and Risk (Board Programs and Risk Committee (BPRC)). SCA has provided two organizational charts, one describing the management structure and the other describing the separate subcommittee structure, which outlines the oversight of the Board and its three subcommittees as well as the Executive Committee, which reports to the Chief Executive Officer (CEO).

16. SCA does not have a stand-alone ethics committee, but strong ethics are very much part of its culture. Ethics are addressed by various codes and practices and each one has an oversight mechanism which ultimately escalates to one of the three Board subcommittees and if necessary to the Board. For example, the code of conduct is governed by BHRC; programmes practice and risk management, including child safeguarding, are governed by BPRC; and financial integrity and compliance is governed by BAC.

17. SCA does not have a separate finance committee. However, issues that would normally be addressed by a finance committee are the responsibility of BAC. BAC is also responsible for internal audit. BAC is independent from management, with up to five independent non-executive members, at least three of whom are Board members with the rest being either Board members or qualified external persons. SCA employees are not permitted to be BAC members.

18. BPRC assists the Board on risk management, programme work, and policy and advocacy work. BHRC assists the Board with nominations and appointments, performance and

succession of directors, CEOs and other executives as well as setting human resources strategy and policy.

19. SCA has a rigorous process for setting objectives and preparing short- and long-term strategic plans. The yearly cycle starts with a bottom-up exercise with staff and management preparing plans and objectives that are presented to the executive management and eventually to the Board. Following a process of intensive internal planning and consultations with a set timetable, operational plans and key performance indicators (KPIs) are set for the coming year together with annual budgets. Progress against objectives is monitored continuously throughout the cycle at board, executive management and staff level through dashboards and departmental reporting. Information on SCA activities is provided to:

- (a) The Board and subcommittees;
- (b) Members at SCA annual general meetings;
- (c) Supporters and the general public through the SCA Annual Report;
- (d) Employees at quarterly all-staff meetings; and
- (e) Donors who have funded specific programmes.

20. SCA has provided its 2016–2018 Strategic Plan and its Global Strategy: “Ambition for Children 2030”, and the 2017 executive KPIs together with the 2016 budget and 2017 budget pack that is prepared following the budget discussion at the Board. The alignment of objectives with the mission of SCA is part of the process of intensive internal planning and consultation between departments, executive management and the Board.

21. Following the objective setting process, management produce a comprehensive set of KPIs with qualitative and quantitative metrics that are disseminated to staff across the organization. The bar is set quite high and progress against objectives is actively and regularly monitored and recorded. One of the objectives for 2017 was to achieve GCF accreditation. A specified budget is earmarked for funding internal capacity-building projects that support strategic priorities and for funding a project management office to provide oversight of the project portfolio. SCA has a policy of setting “stretch targets” to encourage strong efforts in meeting the organization’s aims. The December 2018 dashboard shows how targets are adjusted from one year to the next when it is recognized that some targets were set unrealistically high in previous years. Detailed reporting on SCA activities and programmes is made available to all employees and to the general public through the SCA Annual Report.

22. Financial statements are prepared in accordance with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Act 2012. SCA has provided a copy of its policy on accounting policies and audited financial statements, including a satisfactory auditor’s opinion for 2014, 2015, 2016, 2017 and 2018. SCA uses a financial reporting system called Agresso Business World. The system is enabled by the SCA integrated systems platform and allows the Board to review bimonthly financial reports. Senior management also receives rolling forecasts and cash flows together with monthly departmental financial dashboards. The cost centres and departments receive monthly profit and Loss and expenditure reports, weekly fundraising performance and attrition reports and daily cash appeal reports. Examples of dashboards, forecasts, departmental Profit and Loss , expenses and fundraising reports have been provided.

23. The SCA Internal Audit Charter has been provided. It explains the purpose, authority and responsibilities of the SCA internal audit function in accordance with the Institute of Internal Auditors mandatory definition of internal audit, code of ethics and international standards. The function is led by the Head of Risk and Audit and the terms of reference for this position have been provided. Reporting is direct to BAC. The SCA internal audit is assessed as part of internal assurance within the risk support team, which reports annually to the Board. Satisfactory internal audit plans have been provided as part of the overall Risk Management

Plan for 2017, 2018 and 2019. Status reports for internal audit recommendations over the last three years have also been provided.

24. The external auditor provides a report to BAC on its findings concerning financial management and systems during the process of performing the annual audit. A report to BAC of June 2019 detailing progress in addressing issues identified by the external auditor has been provided. SCA has a well-defined control framework with roles and responsibilities clearly defined and robust risk management policies appropriate to its business. SCA uses the Agresso Financial Management System application for intranet accessed management accounting systems for income and expenditure reporting and this drives financial and management control and reporting. The external auditors provide BAC with an annual report that comments on SCA internal controls.

25. SCA has a comprehensive procurement policy that is consistent with recognized international best practice. Complementing the policy is the procurement policy guidelines document, which was updated in 2018 to strengthen certain areas of procurement, including oversight of the procurement of executing entities when required by specific funders and donors such as GCF. In most cases the executing entities for SCA projects are Save the Children International country offices, which follow Save the Children International and local procurement policies equivalent to those of SCA. Where outside executing entities are engaged, they are required to comply with SCA procurement policies. SCA has also provided documents and an explanation of how procurement disputes and complaints are managed and escalated when necessary.

26. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

### 3.1.2 Section 4.2: Basic fiduciary standards: transparency and accountability

27. Given the nature of the business of SCA as a charity focused on the well-being of children worldwide, strong ethical standards are an integral part of the culture of the organization. The approach to ethics is documented in the Code of Conduct and the Safeguarding Code and Policies, all of which are applicable to all SCA staff. The Child Safeguarding Policy Guidelines state that all SCA permanent, maximum-term and casual staff, trustees and Board members, volunteers, other personnel including interns, work experience/placement students, visitors to programmes and individual contractors and consultants must sign the Child Safeguarding Code of Conduct and agree to comply with the principles and standards it contains. Staff receive a task prior to starting work that requires them to read all essential SCA policies, including the Code of Conduct and the Safeguarding Code to acknowledge that they have read and agree to the essential policies through the system – this is referred to as the Red Carpet Notification. SCA human resources staff track and report on the completion of this task through this online Red Carpet application.

28. SCA has provided a copy of its Conflict of Interest Policy, to which all employees must adhere. Cases are escalated to the CEO and to the Board as necessary. Directors' (Board members') interests are dealt with in the SCA constitution. Directors are also subject to the requirement of the Australian Corporations Act 2001, which requires disclosure of any and all interests. Such declarations must be recorded by the Company Secretary in the minutes of Board meetings. SCA also has a Gifts and Benefits Workplace Policy, which defines its rules on receipt of gifts and benefits by employees in their professional capacity. SCA has provided examples of two potential conflict of interest cases.

29. SCA has provided its Anti-Corruption Policy, which supports its zero tolerance of bribery, corruption and fraud, whether direct or indirect, by anyone working with or on behalf of SCA in whatever capacity. As a major charity, SCA has worked with funds and donations from

a wide range of sources, from major corporations, multilateral development banks (such as the World Bank) and governments to individuals making small donations. SCA has provided its Whistle-blower Policy and policy guidelines. Disclosures and complaints can be made anonymously via an external secure online service. In the first instance, disclosures are handled by the SCA Legal Counsel and Head of Risk Support, who have been nominated to ensure adherence to the obligations within the Protected Disclosure Policy and Guidelines. Cases may then be escalated to the CEO and SCA Board if necessary. Verbal reports can also be made via the supporter care number provided on the website.

30. The SCA investigation system is based on the Investigations Guide, which defines the process of initiating and conducting investigation, as well as the corresponding authorities. Investigations are escalated to different levels of SCA depending on the severity of the possible malpractice. The independence of the Investigating Officer is safeguarded by making sure that there are no conflicts of interest. The applicant's fraud investigation guidelines reflect the methodology used in the Australian Government Investigation Standard. The Investigations Guide references a number of templates used in documenting investigations. The status of investigations of severe violations is reported to BAC and BHRC. SCA has provided a summary of investigations of suspected breaches of the code of ethics and possible malpractices during the last four years and confirmed that there had been no violations in the last three years severe enough to warrant escalation to BHRC.

31. SCA has provided its Anti-money-laundering and Counter-terrorism Financing Policy for itself and for Save the Children International investigations. As SCA is a charity and not a financial institution, there is no "know-your-customer" policy per se. However, SCA has provided its Donation Partnership Policy and guidance documents, which explain how potential donors are analysed prior to their donations being accepted. Two examples of assessments of potential donors have been provided. SCA has provided an explanation of how its electronic fund transfers are monitored and traced. SCA uses the National Australia Bank as its banking service provider. Monitoring of payments by the National Australia Bank is done through the SCA online banking portal, which generates payment audit reports upon demand. Two monthly payment audit logs generated by the National Australia Bank for July and November 2018 have been provided.

32. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, as well as the GCF Policy on the Protection of Whistleblowers and Witnesses,<sup>4</sup> Policy on Prohibited Practices<sup>5</sup> and Anti-Money Laundering and Countering the Financing of Terrorism Policy.<sup>6</sup>

### 3.1.3 Section 5.1: Specialized fiduciary standard for project management

33. The SCA Program Implementation Manual and annexes detail the approach to project cycle management, how opportunities arise, design and planning, implementation and evaluation, and close out. SCA has provided examples of three projects undertaken during the past three years: the first on enhancing the resilience of communities to disasters and climate change in the Philippines; the second on an integrated child centred climate change adaptation project in Bangladesh; and the third on Afghan returnees for reintegration into Afghanistan. Within each of these project documents, SCA highlights the work of the project and how the applicant complied with its institutional guidelines for project identification, preparation and appraisal.

<sup>4</sup> Decision B.BM 2018/21 and annex I thereto.

<sup>5</sup> Decision B.22/19 and annex XIV thereto.

<sup>6</sup> Decision B.18/10 and annex XIV thereto.

34. The Program Implementation Manual provides an overview of how project cycle management is undertaken, including risk management. When an award is implemented the project is governed by a Risk Management Plan. The Risk Management Plan is managed by the Save the Children International implementing office and consists of a summary of net risk levels across the programming year and an issues tracker to ensure appropriate follow-up and lessons to be learned. The issues tracker is prepared for each project and is updated in conjunction with the Risk Management Plan. The Program Implementation Manual explains how KPIs and project baselines are set as well as the process of monitoring and evaluation. The three projects mentioned in paragraph 33 above demonstrate the capacity of SCA to examine and incorporate technical, financial, economic and legal aspects as well as environmental, social and climate change considerations, into their assessments.

35. The project quality review is incorporated into the initial project assessment as well as into the process of preparation of the evaluation reports. An assessment tool is used by staff for this purpose. SCA has provided two quality review reports – a sustainable education reform gains project in the Philippines and a consortium for community-based education and a learning project in Afghanistan. Also provided is a visit report on a quality monitoring trip to Cambodia, with associated recommendations and proposed follow-up actions. The Cambodian four-year project (2017–2021), entitled “Protecting Children Through System Strengthening and Evidence – PraCTiSE”, is linked to a previous project implemented in 2013–2017 that focused on positive parenting in Cambodia. SCA has explained and demonstrated how project results are made publicly available dependent on the specific agreement of project donors. Examples have been provided of two reports published for projects supported by the Australian Government Department of Foreign Affairs and Trade – one in the Uruzgan province of Afghanistan and the other in Pakistan.

36. A monitoring and evaluation plan must be developed at the project proposal phase. SCA has provided its evaluation handbook, which details the evaluation procedures. The independent monitoring focuses on project quality improvement, risk management and compliance. This independent monitoring of the project is executed through quarterly calls, field visits and project reviews. A diagnostic tool is also used to assess the maturity of monitoring, evaluation and lessons learned. Analyses of budget versus actual project finances are made regularly with reasons for variances and possible actions to rectify discrepancies. Monitoring and evaluation reports are published on the SCA website.

37. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF specialized fiduciary standard on project management.

#### 3.1.4 **Section 5.2: Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

38. The applicant did not apply for this standard at this time.

#### 3.1.5 **Section 5.3: Specialized fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees**

39. The applicant did not apply for this standard at this time.

### 3.2 Environmental and social safeguards standards

#### 3.2.1 **Section 6.1: Environmental and social policy**

40. Although not required for category C projects, the applicant submitted its Environmental Sustainability Policy and associated Environmental Sustainability

Implementation Plan 2016–2018. The policy, approved by the Board of the applicant and disseminated within the organization, provides the applicant’s sustainability aims: to reduce its organizational carbon footprint, reduce the environmental impacts of development projects, build evidence from their programming to provide support for action, and to influence their stakeholders and partners.

41. It should be noted that the applicant explicitly adopts International Finance Corporation Performance Standards (PS) 1-8 as its standards in its Program Environmental Management System (PEMS). PEMS, approved and implemented by the management of the applicant, implements the applicant’s Environmental Sustainability Policy and provides the procedures it follows to meet policy objectives.

42. The AP finds that the applicant’s E&S Policy and related documents, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy<sup>7</sup> and interim environmental and social safeguards (ESS) standards for maximum E&S risk category C projects/programmes with respect to PS 1-8.

### 3.2.2 Section 6.2: Identification of risks and impacts

43. PEMS provides a procedure for the identification and assessment of E&S risks and impacts. Because it did not originally include an E&S risk categorization framework, a risk screen against PS 1-8 of the GCF interim ESS standards has recently been added to the PEMS risk identification and assessment procedure.

44. In accordance with its PEMS, the applicant conducts risk identification during the preliminary project assessment. This allows it to make the appropriate decisions on how to monitor and mitigate the ESS impacts of projects.

45. The applicant provided examples of its track record in identifying and managing E&S risk mitigation measures and other actions identified as part of the E&S risk assessment process. These include community-based disaster risk reduction and climate change adaptation projects in Viet Nam, Bangladesh, Somalia and the Philippines that focused on the resilience of children, families and communities. Country offices, supported by Save the Children Australia, were responsible for implementing these measures in the above-mentioned projects.

46. The AP finds that the applicant’s system of identification of E&S risks and impacts, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category C projects/programmes.

### 3.2.3 Section 6.3: Management programme

47. PEMS has a fully developed system to monitor and manage the identified E&S risks. Based on the outcome of the environmental risk categorization, an appropriate level of assessment and mitigation is undertaken as follows using an ESS management tool:

- (a) If a project is categorized as low risk, no further action is taken except risk monitoring during implementation;
- (b) If a project is categorized as medium or high risk, the environmental risks are assessed by a Technical Adviser, and an environmental management plan is developed to avoid risks and to reduce, manage, monitor and report on unavoidable risks; and
- (c) If, following the mitigation measures, it is considered that a project is still likely to have a significant impact on the environment, it is referred to the Australian Government’s Minister for the Environment for an appropriate decision on what is to be done.

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<sup>7</sup> Decision B.19/06 and annex X thereto.

48. The information the applicant submitted on its community-based disaster risk reduction and climate change adaptation project in Somaliland illustrates how it has managed ESS impacts and how its project team ensured local positive environmental outcomes given the environmental fragility of the project sites.

49. The AP finds that the applicant's management programme, supported by evidence of its track record, fully meets the GCF Environmental and Social Safeguards and interim ESS standards for maximum E&S risk category C projects/programmes.

#### 3.2.4 Section 6.5: Monitoring and review

50. The PEMS implementation manual holds country offices responsible for undertaking regular project monitoring throughout the life of a project to ensure that it is on track, and to make adjustments where necessary. The applicant's project staff also provide ongoing remote support to country offices as well as conducting in-country site visits, as required. Project reporting takes into consideration the overarching policies and guidelines that inform the applicant's approach to programming (e.g. child rights, gender equality, environmental sustainability, disability inclusion, child participation, child protection, resilience building).

51. The applicant provided monitoring reports on projects in Viet Nam, Bangladesh, Somalia, and the Philippines (e.g. the same projects mentioned in paragraph 33 above).

52. The AP finds that the applicant's system of monitoring and review, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category C projects/programmes.

#### 3.2.5 Section 6.6: External communications; consultations, information disclosure, and grievance redress mechanism at the institutional level

53. The applicant has a well-developed complaints and feedback mechanism, which is based on principles adopted by its management such as being responsive, professional, engaged, accessible and respectful of privacy. The weblink to the mechanism complaints are received, registered and handled. There is also the facility to resort to the Supporter Care Manager, who supervises the Supporter Care Team, which handles complaints, if the response is unsatisfactory.

54. The applicant's grievance redress mechanism, for which the Supporter Care Unit is responsible, allows for the involvement of independent entities, in particular the Fundraising Institute of Australia (for funding issues) and the Australian Council for International Development (for other issues) if the complainant is not satisfied with the response of the applicant's Supporter Care Team.

55. The applicant provided a register of enquiries dating back two years, including E&S complaints, responses and current status. It also provided the text of the relevant contractual stipulations that require executing entities to establish project-level grievance mechanisms.

56. The AP finds that the applicant's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category C projects/programmes.

#### 3.2.6 Section 6.4: Organizational capacity and competency

57. The applicant has a well-developed organizational structure to implement its E&S mandates. Responsible offices include: Head of Specialized Technical Services, Head of Process & Project Quality and the Climate Change Team comprising the Climate Change Manager and

Climate Change Adviser working closely with the E&S Compliance Expert to provide the necessary technical support and approval for the completion of the PEMS assessment.

58. The Partnership and Business Development Managers or the in-country Programme Managers play lead roles in the field on implementing projects, including the applicant's PEMS. According to the applicant, which provided their curricula vitae, these staff have detailed knowledge of the PS 1-8 and know which individuals in the organization have specific expertise in the PS 1-8 area within Save the Children Australia, the wider Save the Children organization and externally should specific technical support be needed on issues that the above-mentioned team have deemed in need of referral.

59. The AP has reviewed the curricula vitae of selected staff responsible for E&S matters and finds them satisfactory. The quality of the work of these staff is illustrated by the project documents submitted by the applicant on its community-based disaster risk reduction and climate change adaptation projects in Viet Nam, Bangladesh and the Philippines.

60. The AP finds that the applicant's organizational capacity and competency, supported by evidence of its track record, fully meet the GCF Environmental and Social Policy and interim ESS standards for maximum E&S risk category C projects/programmes.

### 3.3 Gender

61. The applicant's Gender Policy complies with the GCF Gender Policy and follows best practice in this area. It is embedded in three related documents: "Gender programming policy", "Policy guidelines – gender program" and "Principles for gender equality". The first document provides a framework outlining the applicant's approach to gender equality across all programme development, implementation, and monitoring and evaluation. This policy is complemented by the other two above-mentioned documents.

62. In addition to these three documents, the applicant provided its Gender Equality Program Guidance and Toolkit and Gender Equality Market Tool as evidence for its procedures and practices that support its Gender Policy.

63. At the policy level, the applicant makes an explicit link between gender and climate change and integrates this approach into its programming.

64. Finally, the applicant provided three examples of climate change projects that have benefited both boys and girls, and that highlight the provision of grants to both men and women. These are the projects in the Philippines, Viet Nam and Bangladesh mentioned in paragraphs 33, 45 and 51 above.

65. The AP has reviewed the curricula vitae of selected staff of the applicant, including its Gender Adviser, responsible for Gender Policy matters and finds them satisfactory.

66. The AP finds that the applicant's Gender Policy, procedures and capacities, supported by evidence of its track record, fully meet the GCF Gender Policy.

## IV. Conclusions and recommendation

### 4.1 Conclusions

67. Following its assessment, the AP concludes the following in relation to the application:

(a) The applicant fully meets the requirements of the GCF basic fiduciary standards, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited

- Practices, the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy and the specialized fiduciary standard for project management;
- (b) The applicant meets the requirements of the GCF Environmental and Social Policy and the interim ESS standards in relation to the minimal to no E&S risk (category C); and
  - (c) The applicant has demonstrated that it has competencies, policies and procedures in order to implement its Gender Policy, which is found to be consistent with the GCF Gender Policy, and has demonstrated that it has experience with gender consideration in the context of climate change.

## 4.2 Recommendation on accreditation

68. The AP recommends, for consideration by the Board, applicant APL096 for accreditation as follows:

- (a) **Accreditation type:**
  - (i) **Maximum size of an individual project or activity within a programme:** small (including micro<sup>8</sup>);
  - (ii) **Fiduciary functions:**
    1. Basic fiduciary standards; and
    2. Specialized fiduciary standard for project management; and
  - (iii) **Maximum environmental and social risk category:** minimal to no risk (category C);
- (b) **Conditions:**

None.

69. The applicant has been informed of the recommendation for accreditation, including the accreditation type and conditions, as identified in paragraph 68 above, and agrees to the recommendation.

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<sup>8</sup> As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "micro" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme".

## Annex XXII: 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, B.22/09 and B.23/13 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, 28 February 2019 and 8 July 2019, respectively.
3. The entity presented below has been accredited by AF since 31 May 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 31 May 2019<sup>a</sup>**

Name	Acronym	Country
Environmental Management Agency of Zimbabwe	EMA	Republic of Zimbabwe
Ministry of Finance and Economic Development	MFED	Tuvalu

<sup>a</sup> The list of the national accredited entities of the Adaptation Fund is available at <<https://www.adaptation-fund.org/apply-funding/implementing-entities/national-implementing-entity/>>. See also Adaptation Fund Board decision B.33-34/10, available at <[https://www.adaptation-fund.org/wp-content/uploads/2019/07/Intersessional-Decision-B-33-34\\_10-Accreditation-of-EMA.pdf](https://www.adaptation-fund.org/wp-content/uploads/2019/07/Intersessional-Decision-B-33-34_10-Accreditation-of-EMA.pdf)> and decision B.33-34/28 at <[https://www.adaptation-fund.org/wp-content/uploads/2019/07/Decision-B-33-34\\_28-Accreditation-of-MFED\\_Tuvalu.pdf](https://www.adaptation-fund.org/wp-content/uploads/2019/07/Decision-B-33-34_28-Accreditation-of-MFED_Tuvalu.pdf)>.

4. The national direct access entities listed in table 4 have been confirmed via evidence provided by the entity regarding their successful accreditation as a National Implementing entity of the Adaptation Fund (decision B.33-34/10 and decision.33-34/28, respectively) on 15 July 2019.

## Annex XXIII: Gender Policy of the GCF

### I. Background

1. The Governing Instrument for the GCF vests GCF with a clear mandate to enhance a gender-sensitive approach in its processes and operations. The Governing Instrument recognizes the importance of gender considerations in terms of impact and access to climate funding thus:

- (a) In paragraph 3: “The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach”; and
- (b) In paragraph 31: “The Fund will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.”

2. Paragraph 71 of the Governing Instrument explicitly lists women among GCF stakeholders. Finally, the Governing Instrument calls for gender balance among the members of the Board (para. 11) and the staff of the Secretariat (para. 21).

3. The Gender Policy of the GCF (hereinafter “Gender Policy”) expresses the commitment of GCF to promote gender equality within the Secretariat, across its investment criteria,<sup>1</sup> and as an integrated measure of the social dividends of the overall portfolio.

4. The Gender Policy and Gender Action Plan of the GCF (hereinafter “Gender Action Plan”) were prepared by taking into consideration the policies and best practices of other multilateral development banks and international organizations, including the Global Environment Facility Policy on Gender Equality and the Global Environment Facility Gender Equality Action Plan.

### II. Rationale

5. In the context of sustainable development, GCF will consistently mainstream gender issues in its implementation arrangements and frameworks for its projects. The Gender Policy recognizes that gender relations, roles and responsibilities exercise important influences on women’s and men’s access to and control over decisions, assets and resources, information, and knowledge. This Gender Policy also recognizes that the impacts of climate change can exacerbate existing gender inequalities. The Gender Policy further acknowledges that climate change initiatives are more sustainable, equitable and more likely to achieve their objectives when gender equality and women’s empowerment considerations are integrated into the design and implementation of projects. Further, this Gender Policy recognizes that women and vulnerable communities are also part of the solution to climate change and should, therefore, be effectively engaged in discussions and decisions that affect them.

6. The Gender Policy is closely aligned with the United Nations Sustainable Development Goals (SDGs), which make explicit commitments to gender equality, both as a stand-alone goal on gender equality and women’s empowerment (SDG5) and as a theme cutting across all the SDGs. An aim of combating climate change is to promote mechanisms for raising capacity for

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<sup>1</sup> GCF commits to six investment criteria, including impact potential, paradigm shift potential, sustainable development potential, country ownership, efficiency and effectiveness, and the needs of the recipient (referred to collectively as IPSCEN compliance).

effective climate change-related planning and management in the least developed countries and small island developing States, and includes focusing on women from vulnerable communities.

7. The Gender Policy will be consistent with and linked to the existing relevant frameworks, policies and standards of GCF as well as relevant policies that GCF may develop in the future.

### III. Objectives

8. This Gender Policy reinforces the responsiveness of GCF to the, culturally diverse context of gender equality to better address and account for the links between gender equality and climate change. The Gender Policy commits GCF to:

- (a) Enhance gender equality within its governing structure and day-to-day operations; and
- (b) Promote the goals of gender equality and women's empowerment through its decisions on the allocation of funds, operations and overall impact as outlined in the Gender Action Plan.

9. This Gender Policy spells out the principles for achieving gender equality and women's empowerment through an action plan and supporting technical guidance, the operational requirements for stakeholder involvement in the design, implementation and evaluation of projects.

10. This Gender Policy moves beyond a narrow understanding of gender to consider, respect and value the contribution of both women and men.

11. The Gender Policy has three main objectives:

- (a) To support climate change interventions and innovations through a comprehensive gender approach, applied both within the institution and by its network of partners, including accredited entities (AEs), national designated authorities (NDAs) and focal points, and delivery partners for activities under the GCF Readiness and Preparatory Support Programme;
- (b) To promote climate investments that:
  - (i) Advance gender equality through climate change mitigation and adaptation actions; and
  - (ii) Minimize social, gender-related and climate-related risks in all climate change actions; and
- (c) To contribute to reducing the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities and exclusions through GCF climate investments that mainstream gender equality issues.

### IV. Scope of application

12. GCF will apply its Gender Policy throughout its activities, including all funding activities for mitigation and adaptation undertaken by both the public and private sector. The Gender Policy's objectives apply across four interconnected levels:

- (a) **At the GCF institutional level:** to adopt, implement and document the GCF approach to addressing gender issues in its day-to-day governance, operations and procedures, and its performance measurement frameworks as reflected in the Gender Action Plan while

- committing the necessary resources, financial and human, to make this approach robust and effective;
- (b) **At the project/portfolio level:** to address and reduce gender inequality, deepen stakeholder engagement and deliver better accountability to both men and women to generate sustainable livelihood opportunities, health and well-being, and resilience against climate-induced shocks and risks;
  - (c) **At the national level:** to support and sustain an enabling environment among GCF stakeholders – including NDAs/focal points, AEs, and delivery partners – that builds on existing policy commitments, environmental and social standards, and redress mechanisms to achieve gender equality in accordance with the decision B.24/12;
  - (d) **At the sector level:** to contribute to high-quality, more comprehensive, systematic and participatory sex-disaggregated data collection, qualitative and quantifiable gender analysis and action plans, and a knowledge base that supports gender-related learning outcomes.
13. In this way, GCF will support an institutional culture and enabling environment that integrates gender equality, vertically and horizontally, across diverse stakeholders and climate change-relevant policy processes and frameworks through the course of the project life cycle and climate investments.

## V. Guiding principles

14. Guiding principles underpin the core values and premises of the Gender Policy and are aligned with the objectives and guiding principles of the Governing Instrument.<sup>2</sup> These principles are presented in the following sections.

### 5.1 Principle 1

15. The Fund's gender policy is guided by the United Nations Framework Convention on Climate Change (UNFCCC), in which the Parties to the United Nations Framework Convention on Climate Change note that when addressing climate change, principles of gender equality and empowerment of women should be respected, promoted and considered.<sup>3</sup>

16. The Fund's gender policy is congruent with international arrangements<sup>4</sup>, in particular with the Universal Declaration of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Sustainable Development Goals, and the International Labour Organization's core conventions, in that it recognizes the equal rights of women and men to access the Fund's services in order to adapt to and mitigate against the impact of climate change.

17. GCF recalls the preamble to the Paris Agreement which states: "Acknowledging that climate change is a common concern of humankind, Parties should, when taking actions to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants,

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<sup>2</sup> The Governing Instrument, in paragraph 3, states: "The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach."

<sup>3</sup> Available at <<http://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=2>>.

<sup>4</sup> Not all Parties to the UNFCCC are Parties to such instruments listed in this paragraph and some have entered reservations.

children, persons with disabilities and people in vulnerable situations, and the right to development, as well as gender equality, empowerment of women and intergenerational equity.

18. The Gender Policy is also guided by Article 7.5 of the Paris Agreement, where parties acknowledge that that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate.

## 5.2 Principle 2

19. GCF hereby informs the countries that proposed activities under the GCF Readiness and Preparatory Support Programme, including supporting the formulation of national adaptation plans and/or other adaptation planning processes or project proposals submitted to GCF by countries, AEs, and delivery partners, that they must be informed and guided by this Gender Policy and any existing applicable policies and priorities on gender equality.

20. GCF requires that women and men be provided with equal opportunity to take an active part in stakeholder consultations and decision-making during project preparation, implementation and evaluation. In this regard, GCF will encourage the NDAs/focal points serving as coordinating mechanisms for the engagement of their countries with GCF to apply the principles of inclusion, equality and non-discrimination with respect to stakeholder consultations and decision-making aligned with any existing capacities and applicable policies and priorities of the country on gender, this Gender Policy, the guideline for enhanced country ownership and drivenness, and initial best practice options for country coordination and multi-stakeholder engagement approved by the Board.<sup>5</sup>

## 5.3 Principles 3

21. For the purposes of this Gender Policy, GCF requires that in line with the Fund's Environment and Social Policy, women and men, including from vulnerable groups<sup>6</sup>, be provided with an equal and equitable opportunity to be fully and effectively engaged in consultations and decision-making throughout the project cycle, taking into consideration the initial best practice options for country coordination and multi-stakeholder engagement,<sup>7</sup> the country ownership guidelines,<sup>8</sup> and the principle of free, prior and informed consent in projects involving indigenous peoples in line with the environmental and social safeguards standards of GCF and the Indigenous Peoples Policy.<sup>9</sup>

22. The GCF process requires AEs to undertake consultation that is gender sensitive and culturally aware, pursuant to the GCF Environmental and Social Policy<sup>10</sup> and Indigenous

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<sup>5</sup> Decision B.17/21.

<sup>6</sup> Decision B.19/10. Annex X, paragraph 2(f) "Disadvantaged or vulnerable" refers to those who maybe more likely to be adversely affected by the project impacts and/or more limited than others in their ability to take advantage of a project's benefits. Such an individual/group is also more likely to be excluded from/unable to participate fully in the mainstream consultation process and as such may require specific measures and/or assistance to do so.

<sup>7</sup> Decision B.08/10.

<sup>8</sup> Decision B.17/21.

<sup>9</sup> Decision B.19/11.

<sup>10</sup> Decision B.19/10.

Peoples Policy, and that will be supported by the disclosure of relevant information pursuant to the Information Disclosure Policy of the GCF.<sup>11</sup>

## 5.4 Principle 4

23. GCF recognizes the importance of transparency, non-discriminatory access and accountability in all aspects of its operations. Through its Information Disclosure Policy, GCF endeavours to provide accurate, gender-related and timely information to its stakeholders and the public at large, about its policy guidelines, standards, procedures and project operations.

## VI. Policy requirements

24. The Gender Policy requirements are categorized as follows:

- (a) GCF responsibilities;
- (b) AE commitments; and
- (c) Project-level requirements.

### 6.1 GCF responsibilities

25. GCF is responsible for dedicating financial, human and other resources as required to implement the Gender Policy, specifically:

- (a) GCF will ensure that entities applying to be accredited by GCF are assessed in and considered for accreditation in accordance with the accreditation framework<sup>12</sup> and taking into account their commitment and capacity to meet the principles and requirements of the Gender Policy;
- (b) GCF will ensure that under the accreditation master agreements and funded activity agreements with AEs, the AEs are required to comply with the requirements of the Gender Policy;
- (c) GCF will review the gender assessment and the project-level gender action plan submitted by the AE with each funding proposal and monitor implementation;
- (d) GCF will ensure that the design and implementation of GCF-financed activities are informed by the results of the gender assessments undertaken by the AE during the preparation of the activities;
- (e) GCF will require that annual performance reports submitted by AEs on GCF-funded activities include progress made in implementing project-level gender action plans;
- (f) GCF will commit resources as necessary towards independent verification and project reviews and assessments to document and publish the benefits and considerations of actions and achievements that address gender issues as deemed necessary;
- (g) GCF will, to the extent feasible, develop specific targets and progress indicators aligned with the SDG framework, particularly SDG5 and gender targets in the other goals; integrate both qualitative and quantitative targets and indicators as per the GCF results management framework and performance measurement frameworks, and require all projects financed by GCF to report progress and impact against these frameworks;

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<sup>11</sup> Decision B.12/35, paragraph (a).

<sup>12</sup> Decision B.07/02.

- (h) GCF will generate, document, publish and archive experience gained through its actions and project investments to promote learning from the best practice implementation of its partners. GCF will also commit to capitalize on knowledge and expertise gained from other organizations and comparable climate finance mechanisms;
- (i) GCF will organize gender training or provide technical and material support for gender resources as requested by the Board. Where requested, the Secretariat may organize gender training and capacity-building for AEs and delivery partners, including through the integration of a gender training module in its activities under the Readiness and Preparatory Support Programme;
- (j) GCF may complement its own technical capacity within the Secretariat with gender consultants and/or through the establishment of a gender advisory group of experts; and
- (k) Gender-related grievances that may occur in projects and programmes may also be processed through the Independent Redress Mechanism as well as the AE and the project-level grievance redress mechanisms pursuant to the environmental and social safeguards standards, Environmental and Social Policy, and the Indigenous Peoples Policy of GCF.

## 6.2 Accredited entities and commitments

26. The AEs will dedicate the necessary financial, human and other resources, as appropriate, to comply with the principles and requirements of the Gender Policy.
27. At the project level, the AEs will be responsible for meeting the principles and requirements of the Gender Policy and supporting the implementation of the project-level gender action plan as it relates to the GCF-approved activity as well as for reporting on results, including the generation and use of sex-disaggregated as well as qualitative data.
28. The AEs will take the necessary measures to ensure that proposed projects, as well as proposed activities under the GCF Readiness and Preparatory Support Programme, submitted to GCF for financing are aligned with national policies and priorities on gender.

## 6.3 Project-level requirements

29. At the project preparation stage, the GCF will require AEs to:
- (a) Ensure that concept notes and funding proposals submitted for GCF financing meet the principles and requirements of the Gender Policy;
  - (b) Submit as a part of the funding proposal (i) a gender assessment, along with appropriate environmental and social assessments (as may be required according to the level of risks and impacts), and (ii) a project-level gender action plan; and
  - (c) Integrate analysis of context and sociocultural factors underlying climate change-exacerbated gender inequality and optimize the potential contributions of women and men of all ages to build both individual and collective resilience to climate change.
30. At the project implementation, monitoring and reporting stage:
- (a) GCF will ensure that AEs take necessary measures to implement the project-level gender action plan submitted as part of the funding proposal approved by GCF;
  - (b) GCF will require that in implementing the project-level gender action plan, AEs will refine, as may be necessary, the gender-related baseline, indicators and targets;

- (c) GCF will require that AEs take the necessary measures to ensure periodic updates on the gender assessments and notify GCF when there are major changes in the design and execution of projects, or other circumstances that may affect the implementation of the gender action plan. AEs will also notify GCF of any changes in the project-level gender action plan; and
- (d) GCF will require AEs to monitor and report on the progress made in implementing the project-level gender action plan.

## **VII. Key priority areas for operationalizing the Gender Policy of the GCF and Gender Action Plan of the GCF 2020–2023**

31. The implementation of the Gender Policy and Gender Action Plan will focus on the following five priority areas, as described in detail in annex III to this document, including:
- (a) Governance;
  - (b) Competencies and capacity development;
  - (c) Resource allocation, accessibility and budgeting;
  - (d) Operational procedures; and
  - (e) Knowledge generation and communications.

## **VIII. Effectiveness and revision**

32. This Gender Policy and Gender Action Plan will come into effect upon adoption by the Board. The policy will apply to ongoing activities to the extent reasonably possible and those that will be approved after the effective date of this policy.<sup>13</sup> This Gender Policy will remain in effect until amended or superseded by the Board.

33. The Secretariat understands that the promotion of gender equality and the empowerment of women at the institutional and project levels is a long-term undertaking and a sustained commitment, which includes tracking and reporting on progress annually. It also acknowledges that approaches to gender equality and women's empowerment evolve over time. The Gender Policy will be reviewed and updated by a decision of the Board, as appropriate.

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<sup>13</sup> Unless otherwise provided for in any signed accreditation master agreement, in which case the relevant provisions of the accreditation master agreement will prevail.

## Annex XXIV: Gender Action Plan of the GCF 2020–2023

### I. Introduction

1. The duration of the Gender Action Plan of the GCF 2020–2023 (hereinafter “Gender Action Plan”) is three years.
2. The operationalization of the Gender Policy of the GCF (hereinafter “Gender Policy”) rests among Secretariat roles, commitments and responsibilities and the compliance required by accredited entities (AEs) on project preparation, implementation, monitoring and reporting. GCF will develop sufficient institutional capacity and expertise to promote its gender objectives and ambitions.
3. The purpose of the Gender Action Plan is to provide a time-bound framework within which to operationalize the Gender Policy. Implementation of the Gender Action Plan will require GCF to ensure that AEs have established competencies, tools and processes to achieve results. It also provides the Board with the information required to exercise its oversight responsibility for the Gender Policy and Gender Action Plan, as mandated by the Governing Instrument for the GCF.
4. The Gender Action Plan is structured into five priority areas with accompanying details on the implementation actions required for each priority area.

#### 1.1 Priority area 1: governance

5. GCF will strive to reach gender parity in all key advisory and decision-making bodies, including the Accreditation Panel, the independent Technical Advisory Panel and the Secretariat.
6. The Board will approve and periodically review the Gender Policy and Gender Action Plan and oversee the implementation of the Gender Action Plan through the review of periodic monitoring reports from the Secretariat.
7. The Secretariat will undertake due diligence of the implementation of the Gender Policy and Gender Action Plan by internal gender audits, and through a project approval and monitoring process. Internal audits should include performance against organizational, process-level indicators of the Gender Action Plan, as listed in annex IV to this document. The implementation of this Gender Policy and Gender Action Plan will require gender competencies within the Accreditation Panel, the independent Technical Advisory Panel and the Board. The Secretariat will report to the Board on the implementation of the Gender Policy and Gender Action Plan on an annual basis.
8. The overall implementation of the Gender Policy and Gender Action Plan is the responsibility of GCF. The Gender Action Plan contains an indicative budget, which will be allocated from the administrative and the Readiness and Preparatory Support Programme. At the project level, GCF will ensure that the AEs meet the project-level requirements of the Gender Policy.
9. National designated authorities (NDAs) and focal points may request readiness and preparatory support from GCF to develop and/or strengthen their policies, procedures and competencies to meet the requirements of the Gender Policy and Gender Action Plan.

## 1.2 Priority area 2: competencies and capacity development

10. GCF will ensure that learning in relation to gender equality and climate change becomes a valuable and required asset available to all staff and that this requirement is integrated into key qualification criteria across the organization. GCF will ensure that resources are available for internal learning for GCF personnel and the Board to fully subscribe to principles of the Gender Policy, not just as an operational project impact issue but as a fundamental way to include people in all their diversity to engage with, contribute to and benefit from GCF policies and investment decisions.
11. GCF is accountable for results on gender equality and the empowerment of women related to its mandate and interventions. This will be reflected in GCF administrative policies and procedures, human resource management guidelines that adhere to the principles of equal opportunity, non-discrimination and respect for individuals regardless of their gender.
12. The Secretariat will undergo training on gender mainstreaming approaches and be supported to contribute to the development of institutional guidelines to operationalize the Gender Policy and Gender Action Plan.
13. In addition to the appointment of a gender and social specialist, the Secretariat may consider appointing a senior staff member as the gender focal point or champion reporting to the Executive Director to lead the implementation of the policy as an intra-Secretariat coordination group.
14. GCF published a gender and climate change toolkit<sup>1</sup> that provides details on how to programme climate change tools to mainstream gender in the overall project life cycle. This toolkit will be disseminated widely among NDAs/focal points, AEs, delivery partners and other relevant stakeholders. Training will also be provided to NDAs/focal points, AEs, and delivery partners on how to interpret and operationalize the toolkit. The gender and social specialist at GCF will work closely with the Secretariat to conduct training sessions on applying the toolkit.<sup>2</sup>
15. GCF will use outreach and capacity development events and activities to raise awareness, build capacity, and share knowledge about the Gender Policy.

## 1.3 Priority area 3: resource allocation, accessibility and budgeting

16. GCF resource allocation for adaptation and mitigation projects contributes to gender and women's empowerment. GCF will ensure that its projects support initiatives addressing the inequity of climate change impacts and provide solutions to climate change mitigation, adaptation, and country-driven readiness and national-level adaptation programs. When it is necessary to correct for climate change-exacerbated gender inequality, which affects women, GCF will target funds to support women's climate change adaptation and mitigation initiatives.
17. At the Secretariat level, appropriate human, financial and material resources will be allocated through the administrative budget to carry out knowledge management, monitoring, evaluation, learning, capacity development, and implementation support.
18. GCF will require AEs to submit funding proposals that contain gender assessments and project-level gender action plans, which include implementation budgets.

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<sup>2</sup> GCF and United Nations Women, *Mainstreaming Gender in Green Climate Fund Projects*. Available at <[https://www.greenclimate.fund/documents/20182/194568/Guidelines\\_-\\_GCF\\_Toolkit\\_Mainstreaming\\_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7](https://www.greenclimate.fund/documents/20182/194568/Guidelines_-_GCF_Toolkit_Mainstreaming_Gender.pdf/860d1d03-877d-4c64-9a49-c0160c794ca7)>.

## 1.4 Priority area 4: operational procedures

19. The Gender Policy and Gender Action Plan will be implemented throughout GCF project life cycles and operational processes, and this implementation will consist of a set of agreed-upon or predetermined activities that will lead to greater understanding and oversight of gender-related organizational goals. GCF will ensure that AEs have in place gender equality competencies to support the operationalization of this Gender Policy and Gender Action Plan. Guidelines will be issued for the benefit of NDAs/focal points, AEs and delivery partners. The guidelines will apply to all activities, including private sector activities, and to the GCF project/activity cycle.<sup>3</sup> GCF will ensure that AEs undertake:

- (a) A mandatory initial gender assessment and develop a project-level gender action plan, complementary to the environmental and social safeguards (ESS) requirements. The gender assessment and the project-level gender action plan will:
  - (i) Collect baseline data and determine how the project can respond to the needs and strategic interests of women and men in view of the specific climate change issue to be addressed;
  - (ii) Identify the drivers of change and the gender dynamics to achieve the project adaptation or mitigation goals;
  - (iii) Identify and design the specific gender elements to be included in the project activities;
  - (iv) Estimate the implementation budgets;
  - (v) Select appropriate and measurable output, outcome and impact indicators; and
  - (vi) Design project implementation and monitoring of institutional arrangements; and
- (b) Gender-equitable and inclusive stakeholder engagement and consultations conducted and documented throughout the design and implementation of the project/programme, as follows:
  - (i) Inclusion of gender perspectives in the application of the mandatory project social and environmental safeguards in line with project-specific requirements of the ESS in accordance with decision B.07/02;<sup>4</sup> and
  - (ii) Project screening for the integration of gender issues at various stages of the project preparation, appraisal, approval and monitoring process by the relevant bodies (NDAs/focal points, AEs, and the Secretariat).

20. NDAs/focal points and entities may request support under the Readiness and Preparatory Support Programme to enhance their capacity to implement the Gender Policy and Gender Action Plan. GCF may develop sector notes on gender that promote the use of knowledge and lessons learned on gender issues as well as methodologies for assessing impacts, and it may conduct in-house learning to promote gender mainstreaming in climate investments.

21. The GCF proposal approval process will guide AEs to select and apply a range of gender indicators to measure progress, outcomes and impacts.

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<sup>3</sup> Decision B.07/03.

<sup>4</sup> The initial socioeconomic and gender assessment is recommended for GCF to proactively build in a gender-responsive approach to project planning design and implementation arrangements, in contrast to the GCF ESS, which employs the conventional “do no harm” approach to ensure that all project potential environmental risks are addressed and that measures are identified to offset these risks.

22. The Secretariat is accountable to its Board for gender and climate change results and outcomes and reports annually in a transparent manner. Additional qualitative and quantitative gender monitoring, impact and outcome indicators, as well as methodologies for sex-disaggregated data collection, will be developed to complement those included in the results management and performance measurement frameworks.<sup>5</sup> Progress on gender results will be reported to the Parties to the United Nations Framework Convention on Climate Change as part of the GCF annual report to the Conference of the Parties. The Secretariat will provide regular (i.e. quarterly) policy monitoring reports to the Board.

23. AEs will be responsible for reporting on gender-related risks in relation to GCF-financed activities and reporting on how these risks are minimized or mitigated.

24. GCF will undertake gender mainstreaming<sup>6</sup> performance assessments periodically at the project level to assess if there are any programmatic and operational gaps that might have limited AEs from achieving goals related to gender and will recommend corrective measures to be undertaken by AEs. The gender assessments, when necessary, may be outsourced to an external agency with sufficient expertise in conducting such assessments.

## 1.5 Priority area 5: knowledge generation and communications

25. As a learning institution, the GCF will work with NDAs/focal points, AEs, and delivery partners to document experience and knowledge gained from applying the Gender Policy and Gender Action Plan to activities under the Readiness and Preparatory Support Programme, country programme development, concept notes, funding proposals and project activities. It will seek to identify good practices from NDAs/focal points and their countries, AEs, delivery partners, and observers to Board meetings and tap into the contextual knowledge already available on gender and climate mitigation and adaptation programmes and projects implemented by other partners. GCF will support global, regional, national and subnational knowledge exchange activities on gender and climate change finance.

26. Communicating the GCF commitment to gender, its Gender Policy and its implementation guidance will be a strategic communications activity and an integral part of the GCF communications plan. It will be important to communicate to the public not only how GCF is implementing its updated Gender Policy and Gender Action Plan but also to seek periodic feedback from stakeholders and partners on the implementation of the Gender Policy and on possible improvements in the Gender Action Plan.

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<sup>5</sup> Decision B.08/07.

<sup>6</sup> The United Nations Economic and Social Council agreed conclusions 1997/2 defines gender mainstreaming as “the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women’s as well as men’s concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality”. Further information is available at <http://www.un.org/womenwatch/osagi/pdf/ECOSOCAC1997.2.PDF>.

## Annex XXV: Gender Action Plan Indicators

Priority areas	Results to be achieved: implementation of the Gender Policy				
	Action	Indicators	Responsibility	Timing	Budget estimates
Priority area 1: governance	1. Approval of the updated policy				
	2. Periodic monitoring of reports on the implementation of the Gender Policy and Gender Action Plan	<ul style="list-style-type: none"> <li>Annual progress reports to the Board</li> <li>Reporting on gender issues is covered in the annual Independent Redress Mechanism report and in the annual report to the Conference of the Parties</li> </ul>	Board, Secretariat, Portfolio Management Unit, Independent Redress Mechanism, Accreditation Panel	July 2020 annually starting in July 2020; applicable to entities that submit their application for accreditation after the adoption of the updated Gender Policy	No cost implications No additional costs envisaged No cost implications
	3. Include performance on gender equality in the accreditation requirements related to the GCF Gender Policy and Gender Action Plan	<ul style="list-style-type: none"> <li>Percentage of AEs with policies and procedures on gender equality at the time of accreditation</li> <li>Percentage of AEs with gender equality competencies and track records in gender equality issues at the stage of accreditation</li> <li>Percentage of direct access applicants and AEs requesting readiness support for the development of gender equality policies and procedures</li> </ul>			

Priority area 2: competencies and capacity- development	1. Increase the knowledge of GCF partners on gender equality and climate change	<ul style="list-style-type: none"> <li>Number of stakeholders, NDAs/focal points and AEs that received gender training</li> </ul>	Secretariat and partners	2020-2023	USD 100,000
	2. Improve the understanding of how to programme for gender equality results among GCF partners by disseminating the GCF gender and climate change toolkit	<ul style="list-style-type: none"> <li>GCF gender toolkit disseminated, and guidance provided to NDAs/focal points and AEs on how to interpret the information contained in the toolkit</li> </ul>			
Priority area 3: resource allocation, accessibility and budgeting	Funding to support gender issues for GCF and AEs	<ul style="list-style-type: none"> <li>Approved budget amount for targeted gender support at the project/programme/portfolio level</li> <li>Percentage of the annual administrative budget earmarked by the Secretariat to support gender expertise (staff, consultants), training, communications and monitoring and evaluation</li> </ul>	AEs/Secretariat	Annually	Cost estimates to be presented by the AE at the project level and costs to be factored in by the Secretariat in the annual work plan/administrative budget

Priority area 4: operational procedures	<p>Include gender equality consideration in the GCF Operational Manual:</p> <p>1. Guidance for NDAs/focal points, AEs on the mandatory socioeconomic and gender assessment and gender action plan at the start of each project</p>	<p>Guidelines issued and communicated to NDAs/focal points and AEs through the GCF website and through active outreach</p>	Secretariat	2020–2023	USD 30,000 annually for training sessions
	<p>2. Guidance on project design elements, budgets, results, monitoring, and impact indications, preparation, implementation and the monitoring of institutional arrangements</p>	<p>100% of all approved funding proposals contain a gender assessment and a project-level gender action plan, made for public viewing on the GCF website</p>	Secretariat	2020–2023	USD 75,000

	<p>3. Develop applied toolkits and sourcebooks for NDAs/focal points and AEs on gender and climate change mitigation and adaptation, including for specific sectors</p>	<ul style="list-style-type: none"> <li>• Number of training sessions on the guidelines provided to NDAs/focal points and AEs, and the qualitative reporting of these training</li> <li>• Number of toolkits, sourcebooks and references posted on the GCF website</li> </ul>			
	<p>4. Application of gender equality guidelines in project preparation, design, implementation, monitoring and reporting</p>	<ul style="list-style-type: none"> <li>• Percentage of projects that apply gender-balanced stakeholder consultations</li> <li>• Number of funding proposals whose principal objective is to promote gender equality in climate action</li> <li>• Number of projects where women and men report improvements in their quality of life</li> <li>• Number of projects that demonstrate the reduced vulnerability of both women and men</li> </ul>	<p>Office of Portfolio Management,</p>		

		<ul style="list-style-type: none"> <li>• Number of projects that demonstrate increased adaptive capacity of women and men to respond to the impacts of climate change</li> <li>• Number of projects that contain strategies and specific budgets to leverage co-benefits between gender equality and climate action</li> <li>• Projects with resilient infrastructure measures in place to prevent economic losses and mitigate gender-related risks</li> <li>• Number of projects that have undertaken a gender audit and strengthened operational systems and made course corrections to mainstream gender</li> <li>• Increase in the number of funding proposals with principal objectives of promoting gender equality in climate change</li> </ul>	Independent Evaluation Unit, Gender Specialist with support from an external agency	2020-2023	USD 300,000 for third-party evaluation
Priority area 5: knowledge	Assess the implementation of the Gender Policy	<ul style="list-style-type: none"> <li>• “Stock-taking” report posted on the website</li> </ul>	Board, Gender Specialist,	2020–2023	USD 300,000

generation and communications	and Gender Action Plan	<ul style="list-style-type: none"> <li>• Communications and dissemination strategy that address gender issues developed</li> <li>• Communication materials developed and disseminated to internal and external stakeholders</li> <li>• Public outreach activities undertaken at the national and grassroots level</li> <li>• Multimedia campaign on gender equality and climate change launched at the country level</li> </ul>	Communications Unit		
Total					USD 805,000

Abbreviations: NDA = national designated authority, AE = accredited entity.

## Annex XXVI: Re-accreditation process for accredited entities

1. In decision B.07/02, paragraph (a), the Board adopted the initial guiding framework for the GCF accreditation process. The accreditation term for an accredited entity (AE) is five years.<sup>1</sup> The accreditation term begins upon completion of the three-stage institutional accreditation process; that is, when the signed accreditation master agreement (AMA) entered into between GCF and an AE becomes effective.<sup>2</sup>

2. The GCF initial monitoring and accountability framework<sup>3</sup> identifies the monitoring and reporting requirements applicable to AEs at both the institutional and the project/programme levels. At the institutional level, AEs are required to report during the term of their accreditation on their continued compliance with the standards for GCF accreditation, which includes annual self-assessments conducted by the AE and a midterm accreditation review conducted by GCF.

3. An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term. A risk-based approach will apply to the re-accreditation of AEs at the end of their accreditation term. No later than six months prior to the end of the accreditation period, the AE may submit an application either for re-accreditation in the same categories as before, or for accreditation in higher categories (i.e. upgrade).

### I. Standards for re-accreditation

4. The general objective of the initial guiding framework for the GCF accreditation process<sup>4</sup> is to enable a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) standards and Gender Policy<sup>5</sup> with the GCF accreditation process and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.

5. The following standards, which are assessed as a part of the accreditation process, will be assessed under the re-accreditation process.

#### 1.1 Fiduciary principles and standards

6. The GCF fiduciary principles and standards distinguish between basic fiduciary criteria, which are applicable to all applicants, and specialized fiduciary criteria, which will reflect the institutional capacities necessary to deliver against the GCF objectives and in accordance with the scope of responsibilities entrusted to the AE. The specialized fiduciary standards include those for project management, grant award and/or funding allocation mechanisms and on-lending and/or blending (for loans, equity and/or guarantees).

7. The GCF fiduciary principles and standards to be applied in the re-accreditation assessment include:

- (a) Initial fiduciary principles and standards (decision B.07/02);
- (b) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (c) Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.18/10);

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<sup>1</sup> Decision B.11/10, annex I, paragraph 6, states, "The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07."

<sup>2</sup> Decision B.23/11, paragraph (a).

<sup>3</sup> Decision B.11/10, paragraph (a).

<sup>4</sup> Decision B.07/02.

<sup>5</sup> Decision B.09/11.

- (d) Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy (decision B.23/15);<sup>6</sup>
- (e) Policy on Prohibited Practices (decision B.22/19);<sup>7</sup> and
- (f) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (decision B.23/16).<sup>8</sup>

## 1.2 Environmental and social safeguards

8. The GCF Environmental and Social Policy,<sup>9</sup> the interim ESS standards (including regarding indigenous people),<sup>10</sup> the Information Disclosure Policy<sup>11</sup> regarding requirements to disclose environmental and social (E&S) information for category A/intermediation 1 and category B/intermediation 2 projects/programmes, and the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment<sup>12</sup> will be applied in the re-accreditation assessment.

9. The GCF ESS standards contain the requirements that, in cases where there may be environmental and/or social risks and impacts, AEs must ensure that the executing entities they oversee and manage comply with the GCF ESS standards in relation to projects and programmes supported financially by GCF.

10. The GCF ESS standards comprise eight standards with the first one (performance standard 1: assessment and management of E&S risks and impacts) applying to all AEs seeking to become re-accredited.

11. Performance standard 1 establishes the importance of:

- (a) Integrated assessment to identify the E&S impacts, risks and opportunities of funding proposals;
- (b) Effective community engagement through the disclosure of project-related information and consultation with local communities on matters that directly affect them; and
- (c) AE management of E&S performance throughout the life of the funded project or programme.

12. Performance standards 2–8 establish objectives and requirements to avoid and minimize and, where residual impacts remain, compensate/offset the risks and impacts to

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<sup>6</sup> Decision B.23/15, paragraph (b), requests 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. A proposal on integration has yet to be presented to the Board for its consideration. After adoption by the Board of the revised initial fiduciary standards, the accreditation process may be amended to reflect them.

<sup>7</sup> The Policy on Prohibited Practices adopted in decision B.22/19 replaces the General Policy on Prohibited Practices adopted by the Board in decision B.12/31, paragraph (h).

<sup>8</sup> Decision B.23/16, paragraph (b), requests 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 GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

<sup>9</sup> Decision B.19/10.

<sup>10</sup> Decision B.07/02.

<sup>11</sup> Decision B.12/35.

<sup>12</sup> Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to update and amend, as appropriate, the requirements placed on Accredited Entities in the relevant standards, safeguards and policies of GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

workers, affected communities and the environment. While all relevant E&S risks and potential impacts should be considered as part of the assessment, performance standards 2–8 describe potential E&S risks and impacts that require particular attention.

13. Performance standards 2–8 will be utilized in a modular way as needed. Where environmental or social risks and impacts are identified, the AE is required to manage them in accordance with the GCF ESS standards through the relevant executing entity or entities that the AE oversees and manages.

### 1.3 Gender

14. The ability of the AE to meet the principles contained in the Gender Policy will be assessed during the re-accreditation process. AEs will be required to have policies, procedures and competencies in place with which to implement the Gender Policy. At the project/programme level, the AE will be responsible for implementing the Gender Policy as it relates to the GCF-approved project/programme through in-country project identification and implementation, as well as for results reporting. The application of the GCF guidelines on the initial socioeconomic and gender assessments and GCF ESS standards as they relate to the project/programme is mandatory.

15. In addition, applicants and AEs must apply the principles contained in the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment.<sup>13</sup>

## II. Approach to the re-accreditation and process

16. The approach to and scope of re-accreditation, applying the fit-for-purpose approach to accreditation, and pursuant to the initial guiding framework for the GCF accreditation process, includes:

- (a) Process: the accreditation process, consisting of three main stages, as contained in section V of annex I to decision B.07/02. For AEs that are accredited under the direct access modality, the nomination from the national designated authority or focal point will remain valid for the re-accreditation process;
- (b) Standards for re-accreditation assessment: the standards for GCF accreditation in section I above. Any new or amended standards as contained in section I above adopted by the Board during the five-year accreditation period of an AE will be assessed at the institutional level during the re-accreditation review of the AE. However, this does not preclude the applicability of such standards to funding proposals, as may be required in accordance with GCF policies;
- (c) Conditions of initial accreditation: in the context of re-accreditation the status of accreditation conditions from the initial accreditation of the AE should be considered;
- (d) Timing to apply for re-accreditation: no later than six months prior to the end of the accreditation period;
- (e) Fees for re-accreditation: no fees for re-accreditation shall be charged if the AE is seeking re-accreditation for the same or lower scope of accreditation it was originally accredited for (e.g. the same size category, fiduciary criteria and E&S risk category). In

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<sup>13</sup> Decision B.23/16, paragraph (b), requests 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 GCF so as to integrate the obligations set out in the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

cases where the AE is applying for an upgrade in its accreditation scope, the AE shall pay fees for the upgraded scope of accreditation minus the fees already paid for the existing accreditation scope, in line with the policy on fees for accreditation of GCF;<sup>14</sup>

- (f) Scope of review:
- (i) Reports relating to the performance of the AE over the previous five years, including whether concept notes and funding proposals were submitted and reports on the GCF-funded activities;<sup>15</sup>
  - (ii) Risk flags incurred by the projects, AE or country over the previous five years;<sup>16</sup>
  - (iii) Report on participatory monitoring and review submitted by the national designated authority or focal point, if available, related to the GCF-funded projects/programmes undertaken by the AE within the country;<sup>17</sup>
  - (iv) For international access entities, reports on their support to direct access entities to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of GCF in order to enhance country ownership;<sup>18</sup> and
  - (v) The Secretariat and Accreditation Panel's assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development;<sup>19</sup>
- (g) Reviewers: the Secretariat and the Accreditation Panel, in accordance with the process identified in the accreditation framework;
- (h) Output: recommendation to re-accredit or not to re-accredit by the Secretariat and the Accreditation Panel. The scope of accreditation recommended by the Accreditation Panel may be:
- (i) No change (same accreditation categories the AE was originally accredited for);
  - (ii) Upgrade (new accreditation categories compared with those the AE was originally accredited for); or
  - (iii) Downgrade (lower accreditation category than the AE was originally accredited for); and
- (i) Decision-making: the Board will decide whether an entity is to be re-accredited and for which criteria, based on the assessment conducted by the Secretariat and the Accreditation Panel.<sup>20</sup>

17. If re-accredited, the new accreditation term shall commence on the date of the effectiveness of the amended AMA, taking into account the decision on re-accreditation.

18. The Secretariat may issue a one-time extension to the accreditation term by a period of six months if further time is required to complete the re-accreditation review process and consideration by the Board, provided that the AE has submitted the complete re-accreditation

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<sup>14</sup> Decision B.08/04.

<sup>15</sup> Decision B.11/10.

<sup>16</sup> Decision B.11/10.

<sup>17</sup> Decision B.11/10, particularly annex I, paragraph 15.

<sup>18</sup> In decision B.10/06, paragraph (i), the Board decided that "all international entities, as an important consideration of their accreditation application, shall indicate how they intend to strengthen capacities of, or otherwise support, potential subnational, national and regional entities to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership and that they report annually on these actions".

<sup>19</sup> Paragraph 35 of the GCF monitoring and accountability framework.

<sup>20</sup> Decision B.10/07, paragraph (c).

application no later than six months prior to the end of its accreditation term. During this extended period, the AE shall not be able to submit any new funding proposals to GCF for consideration.

19. If an AE does not wish to seek reaccreditation or its accreditation term lapses, the AE will no longer be able to present new funding proposals to GCF for consideration. If such an AE also has approved GCF projects/programmes for which there are Funded Activity Agreements (FAAs) in place, the entity shall continue to implement said Funded Activities as per the FAA.

20. The following principles will be applied in the re-accreditation process (see the figure below):

- (a) The extent of assessment related to institutional capacities is ordered from the highest level of assessment to the least, as follows:<sup>21</sup>
  - (i) Accreditation;
  - (ii) Re-accreditation;
  - (iii) Midterm review by GCF;<sup>22</sup> and
  - (iv) Annual self-assessments by AEs;<sup>23</sup>
- (b) Any assessment of institutional compliance with GCF accreditation requirements following the initial accreditation assessment (e.g. annual self-assessments, midterm accreditation review and re-accreditation) should focus on the changes in the institutional systems, policies, procedures and capacities that impact the ability of the AE to undertake its role and responsibilities as an AE and meet its obligations as per the AMA;
- (c) The re-accreditation process and midterm accreditation review should build upon the institutional compliance assessments previously reported by the AEs and conducted by GCF in order to minimize overlap in the periodic reviews and reduce the burden for both AEs and GCF in the re-accreditation process; and
- (d) For applications for re-accreditation for the same accreditation scope as the initial accreditation, taking into account paragraph 16(b) above, only new track records during the accreditation term should be subject to review. For re-accreditation applications that include an application for a new accreditation scope, the accreditation assessment of the new accreditation scope will be treated as an upgrade application and be assessed in its entirety (i.e. not only focusing on changes, because the new scope has never been assessed).

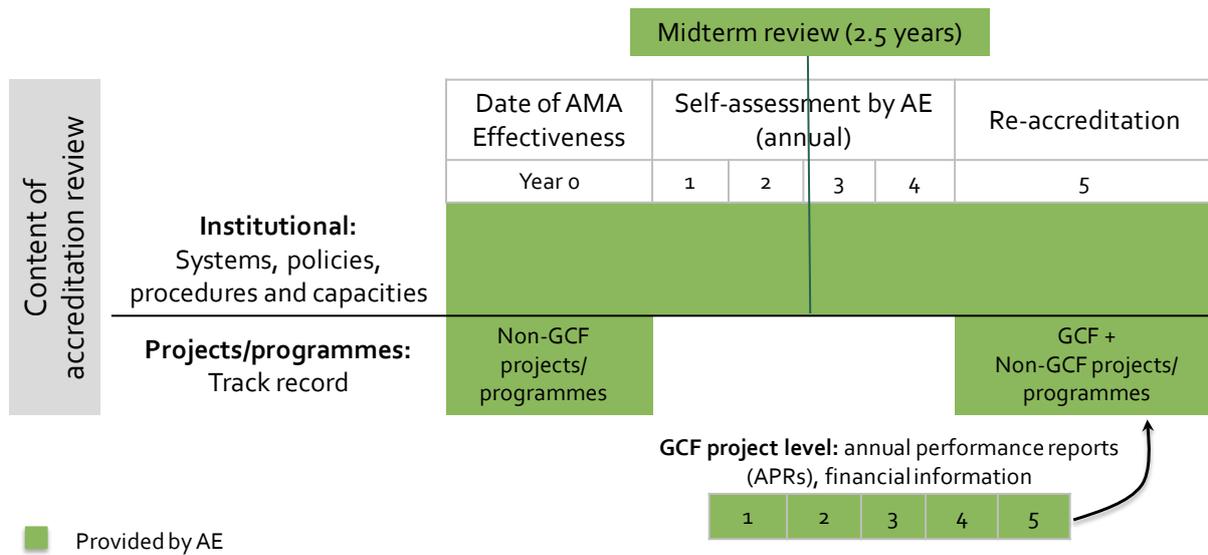
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<sup>21</sup> Unless otherwise agreed in effective AMAs.

<sup>22</sup> Decision B.11/10.

<sup>23</sup> Decision B.11/10.

### Approach to level of due diligence for institutional accreditation and re-accreditation



Abbreviation: AE = accredited entity.

21. The indicative approach to paragraph 16 above is as follows:
  - (a) Year 1: the AE provides its annual self-assessment using the GCF annual self-assessment template covering the period from year 0 to year 1, indicating whether there have been any changes in institutional systems, policies, procedures and capacities that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF. If there are no changes, the AE would report this. If there are changes, further information should be provided by the AE in order for GCF to assess whether such changes impact its status as an AE;
  - (b) Year 2: the same as (a) above, but focusing on changes during the period from year 1 to year 2;
  - (c) Midterm review at approximately 2.5 years: GCF conducts its review on the basis of information already provided by the AE in the year 1 and year 2 self-assessments, and any changes since year 2 reported by the AE in the GCF midterm review template;
  - (d) Year 3: the same as (a) and (b) above, but focusing on changes during the period from year 2 (or midterm review) to year 3;
  - (e) Year 4: the same as (d) above, but focusing on changes during the period from year 3 to year 4; and
  - (f) Year 5 (six months prior to the end of the fifth year): the AE applies for re-accreditation focusing on changes during the period from year 4 to year 5.
22. In cases where the annual self-assessment is not required but the midterm review and re-accreditation are, at the time of the midterm review of these AEs, any changes in the institutional systems, policies, procedures and capacities of the AE that impact its ability to undertake the role and responsibilities of an AE and obligations as per its AMA with GCF for the period between year 0 and year 2.5 would be assessed. At the time of re-accreditation, such changes for the period between year 2.5 and year 5 would be assessed.

### III. Upgrades in accreditation scope

23. The accreditation of additional institutional capacities (e.g. upgrade in accreditation scope) can be done at any time and as soon as the AE considers itself ready to pursue such an upgrade in its accreditation. The accreditation process for the upgrade will then focus only on the new capacities to be reviewed and not on all the other capacities already accredited.

24. The table below outlines indicative approaches for different scenarios regarding the status quo or changes in the accreditation scope (see also para. 16(d) above):

#### Indicative approach to re-accreditation scenarios concerning changes in accreditation scope

Compared with initial accreditation	Case A: no change to accreditation scope	Case B: change in accreditation scope	Case C: change in original accreditation and accreditation scope <sup>a</sup>
	<ul style="list-style-type: none"> <li>Original = PM</li> <li>Re-accreditation = PM</li> </ul>	<ul style="list-style-type: none"> <li>Original = PM</li> <li>Re-accreditation = PM and GA</li> </ul>	<ul style="list-style-type: none"> <li>Original = PM</li> <li>Re-accreditation = PM and GA</li> </ul>
<b>Initial accreditation</b>			
<b>Accreditation criteria</b>	Same	Change	Change
1. Systems, policies, procedures and capacities	Same	<ul style="list-style-type: none"> <li>Same for PM</li> <li>New for GA</li> </ul>	<ul style="list-style-type: none"> <li>Change in PM</li> <li>New for GA</li> </ul>
2. Track record	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)	Change (GCF + non-GCF (in the absence of GCF) projects/programmes)
<b>Re-accreditation</b>			
<b>Scope of the re-accreditation assessment</b>	Focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting	<ul style="list-style-type: none"> <li>For the same criteria (PM), focus on new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting</li> <li>For new criteria (GA), check (1) systems, policies, procedures and capacities and (2) track record (e.g. new accreditation application for GA, treated as an upgrade)</li> </ul>	<ul style="list-style-type: none"> <li>For the same criteria (PM), focus on change compared with the original in (1) systems, policies, procedures and capacities and (2) new track record (GCF + non-GCF (in the absence of GCF) projects/programmes), including project performance reviews and risk flag reporting</li> <li>For new criteria (GA), check (1) systems, policies, procedures and capacities and (2) track record (e.g. new accreditation application for GA, treated as an upgrade)</li> </ul>
<b>Additional items to be assessed during re-accreditation</b>	<ul style="list-style-type: none"> <li>IAE intent to support DAEs</li> <li>Extent to which the AE's overall portfolio of activities beyond</li> </ul>	<ul style="list-style-type: none"> <li>IAE intent to support DAEs</li> <li>Extent to which the AE's overall portfolio of activities beyond those funded by GCF has</li> </ul>	<ul style="list-style-type: none"> <li>IAE intent to support DAEs</li> <li>Extent to which the AE's overall portfolio of activities beyond those funded by GCF has</li> </ul>

<b>Compared with initial accreditation</b>	<b>Case A: no change to accreditation scope</b> <ul style="list-style-type: none"> <li>• Original = PM</li> <li>• Re-accreditation = PM</li> </ul>	<b>Case B: change in accreditation scope</b> <ul style="list-style-type: none"> <li>• Original = PM</li> <li>• Re-accreditation = PM and GA</li> </ul>	<b>Case C: change in original accreditation and accreditation scope <sup>a</sup></b> <ul style="list-style-type: none"> <li>• Original = PM</li> <li>• Re-accreditation = PM and GA</li> </ul>
	those funded by GCF has evolved in the direction of GCF goals	evolved in the direction of GCF goals	evolved in the direction of GCF goals

*Abbreviations:* DAE = direct access entity, GA = specialized fiduciary standard for grant award and/or funding allocation mechanisms, IAE = international access entity, PM = specialized fiduciary standard for project management.

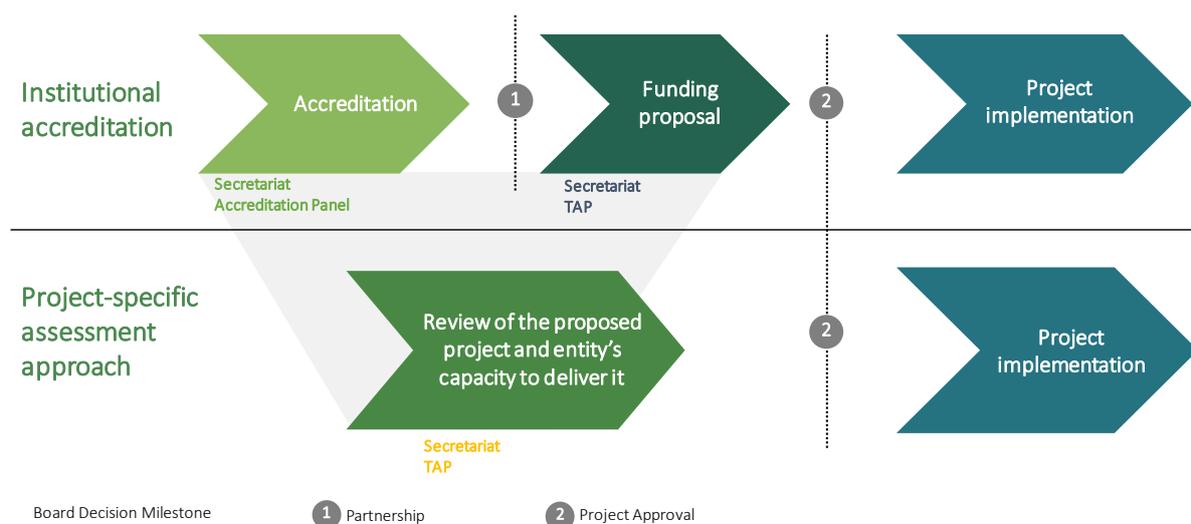
<sup>a</sup> Accreditation scope as in: maximum financing size category; environmental and social safeguards risk category; geographic scope (national/regional).

## Annex XXVII: Framework for the GCF project-specific assessment approach

### I. General objective

1. The general objective of this framework is to enable a coherent integration of the GCF fiduciary principles and standards, environmental and social safeguards (ESS) standards and Gender Policy with the project-specific assessment approach (PSAA) as an accreditation approach, and its related operational systems and procedures, including the organizational structure and governance system dedicated to supporting it.
2. The initial guiding framework for the GCF accreditation process contained in annex I to decision B.07/02 focuses on assessing an organization’s institutional systems, policies and procedures in place that meet the GCF standards for accreditation related to fiduciary, ESS and gender requirements, and the track record in applying such systems, policies and procedures, resulting in an accreditation type comprising (a) a maximum project or programme activity size category, (b) fiduciary functions and (c) a maximum environmental and social (E&S) risk level within which an accredited entity (AE) can undertake projects/programmes with GCF funding.
3. Institutional accreditation allows GCF to build a network of long-term partners not only through the delivery of projects, but also by building institutions. In institutional accreditation, GCF assesses institution-wide fiduciary, E&S and gender-related systems, policies, procedures, capacities and track record of the entity at its institutional level against the standards for GCF accreditation. AEs, once accredited, can submit funding proposals within the scope of their accreditation, and engage with GCF on multiple projects.
4. The PSAA is a complementary approach to institutional accreditation that allows GCF to target specific projects/programmes. It focuses on assessing whether the entity can undertake the proposed project/programme in line with the standards for GCF accreditation (see figure 1).

**Figure 1: Overview of accreditation approaches: institutional accreditation and the project-specific assessment approach**



Abbreviation: TAP = independent Technical Advisory Panel.

5. Depending on the envisaged engagement with GCF, entities may apply under the institutional accreditation (portfolio) and the PSAA (targeted project/programme) sequentially or in parallel. Entities may be encouraged to seek institutional accreditation after undergoing

the PSAA should they have the potential to be a long-term partner and show interest in aligning their institutional systems to the standards of GCF accreditation. The institutional capacity checks related to delivery of the targeted project/programme under the PSAA would be used to inform the institutional accreditation process, noting that the broader institution-wide systems and capacities for a potential portfolio of projects/programmes will be assessed in institutional accreditation.

6. The PSAA is consistent with the initial guiding framework for the GCF accreditation process. However, it focuses on the organization's ability to implement the proposed project/programme presented to GCF rather than a hypothetical set of projects/programmes that the entity may bring forward in the future. In doing so, this framework aims to provide a more fit-for-purpose approach to accreditation in relation to the intended programming. Additionally, it aims to broaden access to GCF for entities for whom the institution-wide approach in accreditation does not as readily respond to the nature and number of projects they intend to develop with GCF support, and the higher transaction costs associated with the process.

7. Unless otherwise specifically modified herein, all other relevant GCF policies apply as usual to this PSAA framework.

## II. Applicability

8. The PSAA applies to any funding proposal submitted by entities not yet accredited to GCF, in particular direct access entities and entities responding to requests for proposals issued by GCF.<sup>1</sup>

9. Entities submitting such funding proposals may be entities not yet accredited to GCF that submit or have submitted funding proposals.

10. Each entity will be capped at a maximum of one approved funding proposal under this approach.

11. Funding proposals submitted under the PSAA may include only those that are in either category C/intermediation 3 or category B/intermediation 2.<sup>2</sup>

12. The Secretariat shall take appropriate measures, such as through the GCF Readiness and Preparatory Support Programme and the Project Preparation Facility in accordance with paragraph 41, to encourage and provide support to direct access entities to submit projects or programmes under this approach.

## III. Standards

13. The following GCF standards apply to the PSAA, which will form part of the review of the proposed project/programme. The focus of the assessment will be on the entity's ability to meet GCF standards in implementing the proposed project/programme – not on the institution-wide systems, policies and procedures or general track record as are assessed in the institutional accreditation process.<sup>3</sup> The entity will be assessed against these standards in a manner that is fit-for-purpose in the context of the proposed project/programme:

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<sup>1</sup> The requests for proposals may include those for the pilot phase for enhancing direct access (decision B.10/04), a pilot programme to support micro, small, and medium-sized enterprises (decision B.10/11), and a pilot programme to mobilize funds at scale in order to address adaptation and mitigation (decision B.16/03).

<sup>2</sup> Refer to the GCF Environmental and Social Policy contained in decision B.19/06.

<sup>3</sup> Decision B.07/02, paragraph (a).

- (a) GCF fiduciary principles and standards include:
- (i) Initial fiduciary principles and standards;<sup>4</sup>
  - (ii) Policy on the Protection of Whistleblowers and Witnesses;<sup>5</sup>
  - (iii) Anti-Money Laundering and Countering the Financing of Terrorism Policy;<sup>6</sup>
  - (iv) Standards for the Implementation of the GCF Anti-Money Laundering and Countering the Financing of Terrorism Policy;<sup>7</sup>
  - (v) Policy on Prohibited Practices;<sup>8</sup> and
  - (vi) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment;<sup>9</sup>
- (b) Environmental and Social Policy,<sup>10</sup> interim ESS standards (including regarding indigenous peoples)<sup>11</sup> and, as relevant, the Information Disclosure Policy<sup>12</sup> regarding requirements to disclose E&S information for category A/intermediation 1 and category B/intermediation 2 projects/programmes. In addition, PSAA applicants must apply the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment;<sup>13</sup> and
- (c) Gender Policy<sup>14</sup> and the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment.<sup>15</sup>

14. GCF policies and standards that apply to the project cycle, which include but are not limited to the investment framework, risk management framework, results management framework, Environmental and Social Policy, Indigenous Peoples Policy, Information Disclosure

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<sup>4</sup> Decision B.07/02.

<sup>5</sup> Decision B.BM-2018/21.

<sup>6</sup> Decision B.18/10.

<sup>7</sup> Decision B.23/15, paragraph (b), requests 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. A proposal on integration has yet to be presented to the Board for its consideration. After adoption by the Board of the revised initial fiduciary standards, the accreditation process may be amended to reflect them.

<sup>8</sup> The Policy on Prohibited Practices adopted in decision B.22/19 replaces the General Policy on Prohibited Practices adopted by the Board in decision B.12/31, paragraph (h).

<sup>9</sup> Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way 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 the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

<sup>10</sup> Decision B.19/10.

<sup>11</sup> Decision B.07/02.

<sup>12</sup> Decision B.12/35.

<sup>13</sup> Decision B.23/16, paragraph (b) of the decision requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way 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 the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

<sup>14</sup> Decision B.09/11.

<sup>15</sup> Decision B.23/16, paragraph (b), requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way 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 the policy. A proposal on the update or amendment has yet to be presented to the Board for its consideration. After adoption by the Board of either the revised initial fiduciary standards, ESS standards or Gender Policy, the accreditation process may be amended to reflect them.

Policy, Policy on Prohibited Practices, Anti-Money Laundering and Countering the Financing of Terrorism Policy and monitoring and accountability framework, will be applied as usual to the proposed project/programme and the project cycle for consideration of the funding proposal.

## IV. Project-specific assessment approach process

### 4.1 Process

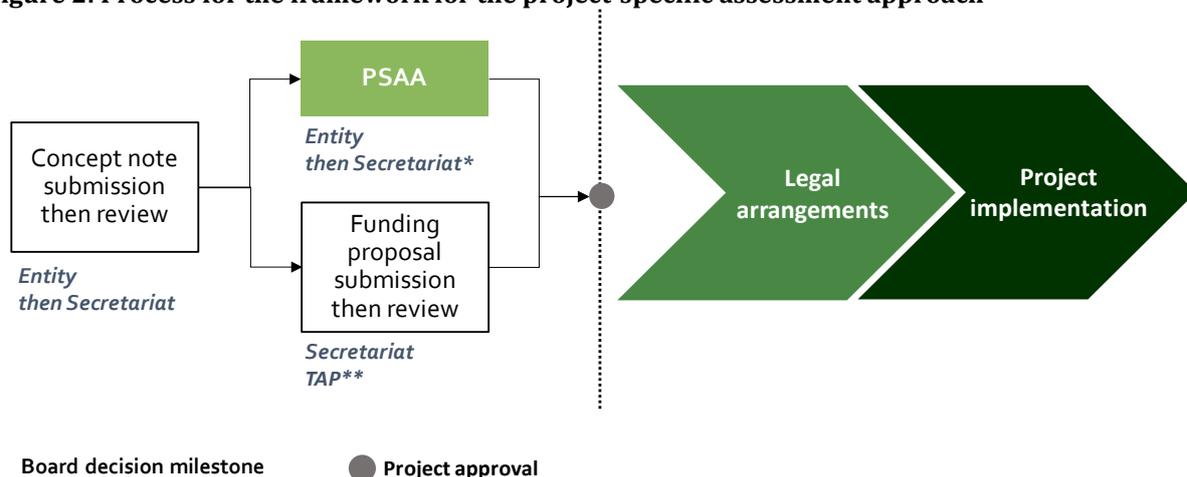
15. An entity may submit a concept note in accordance with paragraph 8 above.

16. In accordance with paragraph 47 of the Governing Instrument for the GCF and the initial no-objection procedure as per decision B.08/10 and for all funding proposals for a project/programme submitted under this approach, the national designated entity or focal point is required to submit a letter including both the nomination of the entity (applicable to direct access entities only) and providing its no-objection for the proposed project (for all entities). In order for the entity to be considered for the PSAA under the SAP or the requests for proposal, on receipt of a concept note submission from the entity, the Secretariat will seek confirmation from the national designated entity or focal point that the concept note fits under national priorities and country ownership, in line with decision B.17/09, paragraph (f).

17. Once the Secretariat has reviewed the concept note submitted and determined it satisfactory to be developed into a funding proposal, the entity should submit an application to facilitate the assessment of the entity either prior to or in parallel with the development of the funding proposal.

18. The Secretariat will undertake a project-specific assessment of the entity and, together with the review of the funding proposal itself, include its assessment of the entity as part of the Secretariat's assessment of the funding proposal (see figure 2).

**Figure 2: Process for the framework for the project-specific assessment approach**



\* The Secretariat will augment its capacity by using external experts, third-party organizations and/or service providers to support it in undertaking such assessments on its behalf.

\*\* The independent TAP review focuses on the funding proposal, in line with its terms of reference per decision B.09/10, paragraph (a).

**Abbreviations:** PSAA = project-specific assessment approach, TAP = independent Technical Advisory Panel.

19. The PSAA process will be based on two main stages:

- (a) Stage I: project-specific assessment of the entity and consideration of the funding proposal; and
  - (b) Stage II: final arrangements.
20. The purpose of Stage I is twofold:
- (a) To determine whether the entity submitting a funding proposal has appropriate legal status and sufficient institutional capabilities to implement the proposed project/programme in a manner that meets the GCF fiduciary, environmental, social and gender standards (institutional capacity assessment in section 4.2 below); and
  - (b) To assess the funding proposal submitted by the entity, following the established procedure for the SAP or the standard proposal approval process, as applicable.
21. Unless stated otherwise in this annex, the Secretariat will undertake an assessment of the proposed project/programme and the entity submitting the funding proposal in a manner consistent with all relevant GCF policies, and will also build on assessments previously undertaken by GCF, where applicable.
22. The Secretariat will augment its capacity to support it in undertaking such assessments on its behalf.
23. The results of the assessment along with the funding proposal and assessment will be presented to the Board for a funding decision.
24. The Board's consideration of whether to work with an entity for the proposed project will be taken into account as part of its consideration of the funding proposal.
25. Stage II will conclude the process through the validation and finalization of formal arrangements between the applicant and GCF upon the successful completion of Stage I.

## 4.2 Entity's institutional capacity assessment

26. The PSAA, as a part of the assessment of the proposed project, will include an assessment of the entity's institutional capacities to implement the proposed project. This will include:
- (a) How the entity contributes to the mandate of GCF;
  - (b) Potential reputational risks to GCF;
  - (c) Legal status: the entity has full legal capacity and independent legal personality within the relevant jurisdiction that enables it to undertake the proposed project/programme to be considered for funding by GCF and to undertake the same responsibilities with respect to project/programme implementation as an AE and enter into legal agreements with GCF in its own name;
  - (d) Confirmation by the Secretariat that the role of the entity in the proposed project does not conflict with the obligations it owes and will owe to GCF in its capacity as an entity accredited for the purposes of delivering the proposed project;
  - (e) How the entity meets the GCF fiduciary standards and principles contained in section III above at the institutional level that allow it to implement the proposed project; and
  - (f) Whether the entity has the capacity to manage relevant E&S and gender risks, in line with the environmental, social and gender related standards and policies indicated in

section III above, and scaled risk-based approach,<sup>16</sup> at the institutional level that allow it to implement the proposed project.

27. Notwithstanding that all entities are required to meet the standards listed in section III of this document (e.g. fiduciary standards, environmental and social safeguard standards and gender principles), the PSAA will entail two steps: capacity checks at both the project and the institutional level and an overall capacity assessment. They will be applied in a fit-for-purpose manner in the assessment of the entity's capacities to implement the proposed project/programme, as detailed below.

28. **Step 1: capacity checks:**

(a) **Institutional capacity check.** This check will focus on those elements that are most needed to ensure that an entity has the institutional capacity to implement the proposed project/programme. This check would include, as applicable:

- (i) Review of internal control mechanisms such as financial controls, organizational structure, anti-money laundering, countering the financing of terrorism and other prohibited practices, fraud and mismanagement systems, in so far as they relate to the undertaking of the proposed project; and
- (ii) Depending on the E&S risk level and relation to the financing structure of the proposed project/programme, institutional function, organizational structure and competency on E&S due diligence, processes to assess and manage E&S risks and impacts, stakeholder and indigenous peoples engagement, information disclosure, consultations and grievance redress mechanisms. This check will also look into the functions, structure and competency to address gender issues as may be assessed in the proposed projects; and

(b) **Project track record check.** The entity will submit examples of projects that the entity has implemented in the past that are similar to the proposed project in terms of (1) project/programme activity size, (2) E&S risk category and (3) financial instruments and financing modalities. Preferably, the entity will have examples of both completed and current projects. An indicative list of information to be provided may include:

- (i) Fiduciary standards information:
  - 1. Organization structure and chart, including evidence of independent legal personality and legal capacity;
  - 2. Structure, involvement and experience of oversight bodies (e.g. audit committee and audit function), including a board of directors or equivalent of the entity, and quality and experience of senior management;
  - 3. Previous track record in the country or region where the proposed project/programme would take place;
  - 4. Entity profile in terms of types of past activities (e.g. assets built in the past, products and services sold, percentage of revenue generated from activities), information on the current projects portfolio and forecasted profile of the entity for the near future (e.g. three years), including its investment strategy;

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<sup>16</sup> Decisions B.07/02 and B.08/02.

5. Basic financial information (e.g. balance sheet and profit and loss statement) and ratios to assess company sustainability for the proposed project/programme duration;
6. Evidence of structure and use of financial instruments in past projects that are relevant to the proposed project/programme. This may include evidence of the entity's project management experience;
7. Where applicable, a project-specific procurement plan on a rolling basis and evidence of procuring various types of goods, works and services in similar projects, including experience and capacity to select, manage and oversee executing entities;
8. Application of prohibited practices, anti-money-laundering and countering the financing of terrorism requirements, including due diligence such as "know-your-customer" checks and similar due diligence of the executing entities in the proposed project/programme;
9. Disclosure of past incidences of fraud, non-compliance and malpractices;
10. Institutional and contractual arrangements with executing entities for similar financing structures applied in past projects/programmes;
11. Risk management and risk identification systems and procedures to be applied in the planning and implementation process of the proposed project/programme;
12. Project-specific financial audits, including audits of procurement activities, or similar reviews for projects/programmes similar to the proposed project/programme;
13. Monitoring and evaluation plans and reports and evaluation reports, including terminal evaluations. Completed projects should include project-specific financial audits and terminal evaluations or similar reviews, including audits of the expenditures and results compared with planned budget and implementation plans;
14. Audit and assurance reports (external and internal) of the entity's financial management and control systems/framework, including on financial mismanagement, anti-money-laundering and countering the financing of terrorism and prohibited practices, such as fraud, corruption and whistle-blower policies;
15. Information on the internal governance reliability of the entity, its internal policies, code of conduct and/or code of ethics, and internal monitoring of legal and information technology issues;
16. Credit ratings received from international and national rating agencies, or evaluation reports/reviews received from multilateral and bilateral organizations on the entity's performance in the past regarding financial management capabilities for projects/programmes similar to the one proposed;
17. Information technology arrangements for disclosing project-related information (e.g. website/web page or publicly available reports), where the information on project/programme progress and completion is published as well as a weblink for the public to submit comments or complaints that would be used in the proposed project/programme;

18. Records of any complaints received from the public and employees with regard to the implemented projects in the past, and records of incidents of fraud/malpractice identified and investigated together with the information on the status of the investigation process;
  19. Such other best practices in fiduciary management as may be applicable/appropriate to the specific project/programme; and
  20. Information on the entity's ability to safeguard the interests of GCF, including the disclosure of any potential conflicts of interest that may arise out of its role to implement the project/programme or inconsistencies with GCF fiduciary standards, ESS standards and Gender Policy; and
- (ii) Environmental, social and gender information:
1. For a category B/intermediation 2 project/programme, a sample of E&S risk screening and assessment (environmental and social impact assessments/environmental and social management system/framework and/or related safeguards instruments), environmental and social management plans and/or related E&S risk management plans, E&S monitoring, supervision and evaluation reports, results of E&S project audits, environmental permits and clearances, information disclosure and stakeholder engagement activities, compliance and non-compliance (grievance) reports of past projects/programmes that are similar to the proposed project/programme;
  2. For a category C/intermediation 3 project/programme, a sample of E&S risk screening and categorization, and management plan (if any) of the minimal E&S risks and/or impacts of past projects/programmes that are similar to the proposed project/programme;
  3. Gender policies and initiatives to mainstream gender considerations that have been applied in past projects/programmes that are similar to the proposed project/programme; and
  4. Environmental management system certifications and sustainability reports.
29. **Step 2: overall capacity check.** Based on the institutional capacity and project track record checks, the entity may be assessed to have high capacity in certain areas (e.g. financial management) and low capacity in other areas (e.g. management of E&S and gender risks) as follows:
- (a) **High capacity** would indicate that the entity has a well-developed financial management system, a well-functioning control framework, including risk management, and robust systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with sufficient scope to manage E&S risks and/or impacts with a low likelihood of negative impact on the entity's ability to undertake the proposed project as designed;
  - (b) **Medium capacity** would indicate that the entity has a developed financial management system, a functioning control framework, including risk management, and systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices, such as fraud and corruption, and with scope to manage E&S risks and/or impacts with moderate likelihood of potential negative impact on the entity's ability to undertake the project as designed; and

- (c) **Low capacity** would indicate an underdeveloped financial management system and/or weak control framework, little or no risk management, and inadequate systems and policies in place to prevent money-laundering and the financing of terrorism and other prohibited practices such as fraud and corruption and with inadequate scope to manage E&S risks and/or impacts with a significant likelihood of potential negative impact on the entity's ability to undertake the project as designed.
30. If the entity is assessed to have high capacity to undertake the proposed project/programme, and if the funding proposal assessment is also positive, the Secretariat would recommend that the entity is able to undertake the proposed project/programme.
31. If the entity is assessed to have medium capacity to undertake the proposed project/programme, and if the funding proposal assessment is positive, a discussion of potential mitigating factors would be required (e.g. conditions during project implementation, requesting a partnership with another entity) before the Secretariat may recommend the funding proposal to the Board for its consideration. The Secretariat should only advance the funding proposal if there is a reasonable expectation that the gaps leading to the medium capacity assessment can be addressed.
32. If the entity is assessed to have low capacity to undertake the proposed project/programme, the Secretariat will not recommend the funding proposal, and the entity would need to address the gaps identified prior to further consideration of the funding proposal under the PSAA. National designated authorities may request support for such entities under the Readiness and Preparatory Support Programme to address the gaps identified.

### 4.3 Proposal approval

33. Funding proposals recommended by the Secretariat under this approach shall be submitted to the Board for consideration during its regular meetings. Entities with funding proposals approved under this approach shall be deemed accredited only for the purposes of such approved funding proposal.

### 4.4 Legal arrangements and post approval

34. The entity or entities submitting a funding proposal to GCF under this approach will be subject to the same responsibilities with respect to project/programme implementation as an AE were it to submit the same funding proposal under the normal GCF funding modalities, and such responsibilities will, during Stage II, be codified in legal arrangements similar to the template accreditation master agreement (AMA)<sup>17</sup> and funded activity agreement (FAA) as may be relevant to the approved project/programme.
35. The legal arrangements for PSAA projects/programmes will, typically, consist of a single agreement that is a hybrid of the AMA and FAA, and that will need to take into account the fact that the institutional assessment was undertaken in the context of the overall assessment of the relevant project rather than as per the current accreditation framework. As such, the PSAA legal arrangements are likely to contain provisions, principally in the form of representations and covenants, that are not currently set out in the AMA or FAA.

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<sup>17</sup> Decision B.12/31, and updated to include relevant Board decisions since the twelfth meeting of the Board.

## V. Fees for assessing the entity

36. The policy on fees for accreditation of the Fund<sup>18</sup> applies to entities under the PSAA, except that fees for the PSAA application shall be calculated at the ratio of 80% of the fees payable under the said policy.<sup>19</sup> Fees are to be paid at the time the entity submits its application for assessment under the PSAA.

## VI. Entity fees for projects/programmes approved under the project-specific assessment approach

37. The policy on fees for accredited entities<sup>20</sup> applies to entities under the PSAA.

## VII. Monitoring and accountability

38. The initial monitoring and accountability framework for AEs<sup>21</sup> regarding project-level monitoring and reporting will apply to entities under the PSAA with respect to project/programme implementation, as applicable. Considering the context of the project/programme, the legal agreement between GCF and the entity will also reflect the relevant reporting requirements under the PSAA legal agreement, similar to such requirements contained in the template AMA and FAAs with respect to project/programme implementation.

39. In line with decision B.10/06, paragraph (j), to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, entities with funding proposals approved within the scope of the PSAA will be required to report every year to the Board through the Secretariat on the extent to which the entity's overall portfolio of activities beyond those funded by GCF has evolved in this direction during the implementation period of the approved project.

40. The Secretariat will report to the Board on an annual basis on the operationalization and implementation of the PSAA.

## VIII. Additional considerations

41. Entities that are applying for the project-specific assessment approach and that have submitted a project or programme concept note that has been reviewed by the Secretariat and determined to be satisfactory with regard to the GCF investment criteria to then be developed into a funding proposal, and that has been assessed to have high or medium capacity as per section 4.2 above, may request financial support under the Project Preparation Facility to help to develop the concept note into a funding proposal.

## IX. Effectiveness

42. This framework shall become effective as of 1 June 2020.

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<sup>18</sup> Decision B.08/04.

<sup>19</sup> Refer to the table contained in annex X to decision B.08/04 titled "Structure of fees for accreditation to the Fund".

<sup>20</sup> Decision B.19/09.

<sup>21</sup> Decision B.11/10.

## Annex XXVIII: Policy on Co-financing

### I. Purpose

1. This Policy on Co-financing (the Policy) sets out key principles and approaches to determine and monitor public and private co-financing applicable to all GCF-funded activities.
2. The Policy provides guidance on determining, reporting and monitoring co-financing (as defined in section V below) in GCF-funded activities, consistent with paragraphs 54 and 57 of the Governing Instrument for the GCF.
3. The Policy also contains provisions to support GCF in accounting for and reporting on the mobilization of private finance to maximize the impact of GCF interventions in developing countries while assisting entities and countries in understanding, defining and applying the concept of co-financing in the specific context of the mandate of GCF.
4. The Secretariat will support focal points, national designated authorities, accredited entities (AEs) and other relevant stakeholders for the successful implementation of this Policy.

### II. Objective

5. The objective of the Policy is to clarify definitions and key principles for the GCF, working with its partners, to attain adequate levels of co-financing as a means to:
  - (a) Achieve the highest possible impact and ambition expected from the GCF and strengthen climate action through both public sector and private sector contributions to the projects and programmes in accordance with the objectives and guiding principles of the GCF;
  - (b) Strengthen country ownership and provide for the necessary resources for the long-term sustainability of climate actions in developing countries;
  - (c) Increase accountability by improving transparency and consistency of reporting of the amounts of co-financing; and
  - (d) Improve complementarity with other climate funds.

### III. Definitions

6. The following terms, as defined, apply to the GCF Policy on Co-financing:
  - (a) **“Co-financing”** means the financial resources required, whether Public Finance or Private Finance, in addition to the GCF Proceeds, to implement the Funded Activity for which a Funding Proposal has been submitted;
  - (b) **“Expected Co-financing”** means the amount of Co-financing, based on ex-ante estimations, that is identified in the Funding Proposal submitted to the Board for adoption and included in the funded activity agreement that is expected to be necessary for the implementation of the Funded Activity;
  - (c) **“Funded Activity”** means the project or programme described in the Funding Proposal;
  - (d) **“Funding Proposal”** means, prior to Board approval, the Funding Proposal submitted to the GCF by the Secretariat, and, after Board approval, the Funding Proposal as approved by the Board, including any modification thereto made in accordance with the policies, rules and procedures of the GCF;

- (e) **“GCF Proceeds”** means the amount of financial resources requested by the AE from the GCF in the Funding Proposal or, if different, the amount approved by the Board in respect of a particular Funded Activity;
- (f) **“Leveraged Private Finance”** means private investment resulting from the contribution associated with GCF involvement in an investment, regardless of whether or not the GCF was actively and/or directly involved in raising such financing or soliciting investors, and includes investment made as a result of the intervention of additional investors after the first project is completed;
- (g) **“Mobilized Private Finance”** means, in the context of a Funded Activity, the Private Finance mobilized as a result of the GCF Proceeds, calculated in accordance with relevant methodologies;
- (h) **“Parallel Finance”** means the financial resources that flow alongside GCF Proceeds to a project, but which are not required for the implementation of the Funded Activity, and which are earmarked for other outcomes and may be consistent with general mitigation and adaptation measures;
- (i) **“Private Finance”** means all financial resources that are provided for the implementation of a Funded Activity from entities that are more than 50 per cent owned and/or controlled by private shareholders;
- (j) **“Public Finance”** means all financial resources, other than the GCF Proceeds, that are provided for the implementation of a Funded Activity from the public sector or entities that are more than 50 per cent owned and/or controlled by the public sector; and
- (k) **“Realized Co-financing”** means the amount of Co-financing, based on ex-post assessments, actually provided to the Funded Activity during its implementation.

#### IV. Principles

7. There is no minimum amount of Co-financing required for a Funded Activity, and no specific sources of Co-financing that must be complied with.
8. Whenever possible, Funded Activities should seek to incorporate appropriate levels of Co-financing to maximize the impact of GCF Proceeds, as determined on a case-by-case basis, cognizant that while desirable to demonstrate alignment of interests between the GCF and AEs, and country ownership by developing countries, Co-financing may not always be achievable or realistic.
9. While maximizing Co-financing is desirable, GCF will avoid using Co-financing metrics as stand-alone targets since maximizing climate mitigation and adaptation results does not necessarily equate with minimizing or optimizing spending on climate mitigation and adaptation. Co-financing ratios as well as expected levels of Mobilized Private Finance or Leveraged Private Finance should therefore not become stand-alone targets, as this may disincentivize GCF from financing projects/programmes with strong impact potential and high paradigm shift potential.
10. Co-financing should be assessed in a comprehensive manner in conjunction with other indicators included in the investment framework.
11. Where GCF funding is covering the whole or part of the incremental costs of a Funded Activity, other costs should be co-financed by other sources.

## V. Reporting and other requirements

### 5.1 Accredited entities

12. AEs shall include in each Funding Proposal the amount of the Expected Co-financing (broken down by Private Finance and Public Finance), if any, required for the implementation of the relevant Funded Activity.

13. AEs shall monitor and report on the delivery of Co-financing to the relevant Funded Activity in absolute numerical terms, including separately in respect of Private Finance and Public Finance delivered, in accordance with the provisions of the relevant legal agreements between the AE and the GCF.

14. Upon completion of a Funded Activity, the AE shall report on Realized Co-financing by including in the relevant reports required by GCF under the relevant legal agreements an assessment of the extent to which the Expected Co-financing (broken down by Private Finance and Public Finance) was actually provided by the relevant co-financier for the implementation of the Funded Activity. Such reports shall also include information on any financial resources provided for the implementation of the Funded Activity that were not identified in the Funding Proposal.

15. At the completion of the relevant Funded Activity, AEs should, to the extent possible, also report via the final annual performance report (or project completion report) on:

- (a) Parallel Finance, which may be reported in qualitative terms; and
- (b) Leveraged Private Finance, which should be reported in absolute numerical terms and on the basis of demonstrable casual links.

### 5.2 Secretariat

16. The Secretariat will monitor overall Co-financing at the Funded Activity, and portfolio, level, including in relation to the levels of Public Finance, Private Finance, Mobilized Private Finance, Parallel Finance and Leveraged Private Finance based on the information provided by AEs.

17. The Secretariat will report on such Co-financing, based on relevant methodologies, to the extent available and based on the information provided by AEs, through the annual portfolio review or other such reports as the Fund may request from time to time. In particular, to the extent available, the reporting shall include information on:

- (a) The total amount of Co-financing, Mobilized Private Finance, Parallel Finance and Leveraged Private Finance at the individual Funded Activity level, distinguishing Public Finance and Private Finance; and
- (b) The total amount of Co-financing, Mobilized Private Finance, Parallel Finance and Leveraged Private Finance at the GCF portfolio level, distinguishing Public Finance and Private Finance.

18. In reporting Leveraged Private Finance, the Secretariat will endeavour to the extent possible to complement information provided by AEs with any other reliable publicly available information.

19. The Secretariat shall develop guidelines that will include, among other things:



- (a) an instrument-based methodology to measure and report to the Board and other relevant bodies Mobilized Private Finance in collaboration with relevant bodies and institutions;
- (b) guidance and methodologies on, among others, measuring and reporting Leveraged Finance and Parallel Finance at project completion; and
- (c) guidance relating to the treatment of in-kind contributions and tax exemptions.

## **VI. Effectiveness**

20. This Policy shall apply to all Funding Proposals approved by the Board starting from the twenty-sixth-meeting of the Board.

## Annex XXIX: Amendments to the terms of reference for the Head of the Independent Evaluation Unit

Current terms of reference for the Head of the Independent Evaluation Unit (annex V to decision B.10/05)	Amendments to the terms of reference for the Head of the Independent Evaluation Unit (decision B.24/15)
Defining the independent evaluation policy contributing to the Fund's knowledge management process	Ensuring the IEU contributes to the GCF knowledge management process, including communicating lessons and best practices as learned by the IEU  *Deleting the footnote reference
Developing and updating the independent evaluation policy of the Fund, as reiterated in Annex IX to decision B.08/07	Developing and updating the evaluation policy of the GCF in accordance with decision B.24/15, paragraph (c)

*Abbreviations:* B.24 = twenty-fourth meeting of the Board, IEU = Independent Evaluation Unit, TOR = terms of reference.

## Annex XXX: Decisions taken between the twenty-third and twenty-fourth meetings of the Board

### *DECISION B.BM-2019/11*

*The Board, having considered document GCF/BM-2019/11 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:***

*University of Melbourne (UoM)*

*Wildlife Conservation Society (WCS)*

***International entities:***

*Mediterranean Agronomic Institute of Bari (CIHEAM Bari)*

### *DECISION B.BM-2019/12*

*The Board, having considered the limited distribution document GCF/BM-2019/12 titled “Consideration of request for changes in pricing and tenor in respect of FP080 (Zambia Renewable Energy Financing Framework)”:*

- (a) Takes note of the request submitted through Ref: PEVP/IOM/WS/2019/02 dated 4 September 2019 from the African Development Bank for the revision of financing terms for the “Zambia Renewable Energy Financing Framework” (FP080) and attachments thereto, as contained in document GCF/BM-2019/12; and*
- (b) Approves the major changes to FP080 described in the request.*

## Annex XXXI: Members and alternate members of the Board of the Green Climate Fund as of 14 November 2019

Members	Alternate members	Constituency/Regional group
Mr. Nagmeldin Goutbi Elhassan Mahmoud (Sudan) Senior Researcher Higher Council for Environment and Natural Resources	Mr. Tlou Emmanuel Ramaru (South Africa) Policy Analyst Department of Environmental Affairs and Tourism	Developing country Parties from the African States
Mr. Richard Muyungi (United Republic of Tanzania) Director Vice President's Office	Mr. Wael Ahmed Kamal Aboul Magd (Egypt) Ambassador Ministry of Foreign Affairs	
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 17 <sup>th</sup> 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	
Ms. Xia Lyu (China) Director of International Financial Institutions Division I, 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	



<p>Ms. Karina Ramirez Arras (Mexico) Deputy Director General for Sustainable Finance Secretariat of Finance and Public Credit</p>	<p>Ms. Lorena Palomo (Chile) Senior Economic Adviser for Trade Policy and Sustainable Development Ministry of Finance</p>	<p>Developing country Parties from the Latin American and the Caribbean States</p>
<p>Mr. Jeremiah Garwo Soka (Liberia) National Coordinator National Climate Change Secretariat Environmental Protection Agency</p>	<p>Mr. Giza Gaspar Martins (Angola) Director, Office of Climate Change Ministry of Environment</p>	<p>Developing country Parties from least developed country Parties</p>
<p>Mr. Ronald Jumeau (Seychelles) Ambassador Ministry of Foreign Affairs</p>	<p>Janine Felson (Belize) Ambassador and Deputy Permanent Representative of Belize to the United Nations Permanent Mission of Belize to the United Nations</p>	<p>Developing country Parties from small island developing States</p>
<p>Ms. Irina Ghaplanyan (Armenia) First Deputy Minister Ministry of Environment</p>	<p>Ms. Victoria Chiriboga (Ecuador) Secretary of Climate Change Ministry of Environment</p>	<p>Developing country Parties not included in the regional groups and constituencies above</p>
<p>Ms. Sarah Goulding (Australia) Assistant Secretary, Global Development Branch Department of Foreign Affairs and Trade</p>	<p>Ms. Alison Carlin (New Zealand) Lead Adviser, Climate Change and Environment Ministry of Foreign Affairs and Trade</p>	<p>Developed country Parties, Australia, Czech Republic, and New Zealand</p>
<p>Mr. Tobias Von Platen-Hallermund (Denmark) Chief Adviser, Multilateral Cooperation and Climate Change Ministry of Foreign Affairs</p>	<p>Mr. Roelof Buffinga (Netherlands) Head, Climate Team Ministry of Foreign Affairs</p>	<p>Developed country Parties, Denmark, Luxembourg, and Netherlands</p>
<p>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</p>	<p>Mr. Leonardo Pupperto (France) Head for Multilateral Financing for Development and Climate Ministry for the Economy and Finance</p>	<p>Developed country Parties, France</p>
<p>Mr. Frank Fass-Metz (Germany) Deputy Director General, Commissioner for Climate Policy and Climate Financing Federal Ministry for Economic Cooperation and Development</p>	<p>Mr. Norbert Gorissen (Germany) Deputy Director General International Policy Federal Ministry for the Environment, Nature Conservation and Nuclear Safety</p>	<p>Developed country Parties, Germany</p>

Mr. Masahiro Takasugi (Japan) Deputy Assistant Minister, Deputy Director General, Internal Cooperation Bureau 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 Loddewyckx (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
Mr. 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	Ms. Holly Kirking Loomis (United States) Acting Director, Office of Global Change Department of State	Developed country Parties, United States