

GREEN
CLIMATE
FUND

Strengthening DAEs' Financial Reporting and Fiduciary Capacities for GCF-Funded Activities

Semi-Annual | Annual Performance | Annual Audit Financial Statement | Final Statement

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Aim:

Ensuring Accuracy, Transparency, and Compliance in Financial Reporting

Target Audience:

DAEs and new AEs

| **GCF.10** |

| 10 YEARS OF CLIMATE IMPACT |

Context of the Webinar

GCF Financial Management and Reporting Requirements (Clause 17.01–17.02)

- Scope and Context of the GCF Financial Management Requirements
- Purpose and Rationale

GCF Financial Reports

- Semi-Annual Financial Information Report &
- Annual Financial Performance Report
- Annual (Unaudited and Audited) Financial Statement
- Final Financial Statement

Frequently asked Questions

- 1.What is the difference between Funded Activity Financial Statements and GCF Account
- 2.The difference between the context of the Annual Financial Performance Report, Unaudited Financial Statements, and Audited Financial Statements
- 3.What Are Annual Audited Financial statement expected to cover?
- 4.Whether funds with disbursement but no implementation require audited statements

Budget Reallocation and Restructuring

Why working with GCF is your market differentiator?

Your Domestic Financial Institution (DFIs) plays a pivotal role in shaping the financial landscape of your country, particularly in facilitating green and climate-resilient investments.

To consolidate your market leading position and become the most attractive and commercially viable conduits for sustainable financial flows, working with GCF provides a unique opportunity to invest beyond traditional approaches to position your organisation to be a leading engine of economic growth and just transition in your country, whilst building resiliency against climate shocks.

GCF's resources can be effectively used to position your Financing Institution to:

- catalyse other financial flows,
- strengthen trade positions,
- facilitate the preservation of Nature Based Systems, and
- catalyse activities that reduce exposure to unbudgeted liabilities.

01

GCF Financial Management and Reporting Requirements (Clause 17.01–17.02)



The Contractual Stuff:

GCF Financial Management of Funded Activities

Guided by Clause 17 AMA between GCF and AE, outlines reporting requirements

Requirement Area	Details / Obligations of the Accredited Entity (AE)
Financial Management System	AE is required to ensure that its FMS follow internationally recognized accounting standards such as IFRS or IPSAS, applied consistently, and be acceptable to GCF.
Financial Reports	AE are required to submit semi-annual and annual financial reports containing key financial information such as disbursements, expenditures, fund balances, and investment income related to GCF proceeds.
Audit of Financial Information	All financial information related to GCF proceeds and funds must be audited annually by independent external auditors (acceptable to GCF) following international auditing standards. Audited reports and relevant supporting details must be shared with the GCF as required.
Currency of Reporting	All financial information must be expressed in GCF-approved holding currencies (USD, EURO, JPY, GBP) and this is specified in the FAA for each Funded Activity.

The logical stuff:

Purpose and Rationale

The financial management of GCF-funded activities is built on :

Key Principle	Why It Matters for AEs and the GCF
Transparency, Accountability & Credibility	Every GCF dollar must be traceable to a specific activity, output, or result. Timely and accurate reports build institutional credibility and enable continued disbursement and partner confidence.
Assurance of Proper Use of Funds	Independent audits confirm that GCF proceeds are used for approved purposes and managed responsibly, ensuring fiduciary integrity.
Monitoring and Compliance	Regular reporting enables GCF to monitor fund use, implementation progress, and compliance—aligning disbursements with performance milestones.
Linking Finance to Impact & Results	Financial reporting connects funding to measurable climate outcomes helping GCF demonstrate global impact and justify continued investment.
Consequences of Delayed or Incomplete Reporting	When financial reports are delayed or incomplete, GCF cannot verify performance—leading to delayed disbursements, funding holds, or even project suspension or cancellation.

02

GCF Financial Reports



GCF Financial Management (Clause 17.02):

Requires the AE to submit **Financial Information** on **semi and annual basis** (*the **Financial Performance Report***):

The **Financial Performance Report (FPR)** is part of the APR— a **monitoring tool** which provides the **financial data** that supports the narrative of implementation progress that we report to our Board.

It details Financial information, showing how GCF proceeds have been applied to project activities. Used to report financial progress against results

The **Annual Financial Statements** then **validate and assure** the information presented in the APR, which we then feed in our Financial statements.

These statements are audited by an independent external auditor who confirm that the financial information reported to the Fund is **accurate, compliant, and supported by proper records**.

So, in essence: The APR tells the **story of implementation progress**,

- the **Financial Performance Report** shows how funds enabled that progress reported to the Board, and the **Audited Financial Statements** provide independent assurance that the financial story is credible and complete, which then feeds to GCF Financial Statements.

GCF requires Two Sets of Reports:



(1) Annual Financial Performance Reports



Purpose: Monitoring tool for tracking project progress and fund utilization. Forms part of the **Annual Performance Report (APR)** submitted to the GCF Board.



Frequency: Semi-annual and annual.



Focus: Reports on **disbursements, expenditures, commitments, and financial progress** against results



Use: Supports **project monitoring and performance assessment**; enables continued disbursement and reporting to the Board.



Nature: Prepared internally by the AE's finance/project teams.



(2) Annual Financial Statements



Purpose: Assurance tool confirming the accuracy and integrity of financial information through **independent audit**.



Frequency: Annual (unaudited & audited) and final (project closure).



Focus: Presents the **financial position and performance** of GCF-funded activities. Confirms funds were used for approved purposes.



Use: Provides **third-party assurance** to GCF and donors; feeds into the GCF's own institutional audited financial statements.



Nature: Independently audited by external auditors; accompanied by management assertion.



Final (Unaudited & Audited) Financial Statements at Project Closure

1 (i) Semi-Annual Financial Information Report & (ii) Annual Financial Performance Report

Report Type	Scope	GCF Expectations
(i) Semi-Annual Financial Information Report	<ul style="list-style-type: none"> Covers financial information for the first six months of the reporting year. Submitted within 60 days after end of GCF reporting period 30 June Report in GCF holding currency USD, EUR, JPY, and GBP per FAA agreement Focuses on actual and cumulative disbursements, expenditures, commitments, and fund balances during this period. 	<ul style="list-style-type: none"> - Accurate and up-to-date financial information on disbursements, expenditures, and fund utilization during the reporting period. - Demonstrate alignment between expenditures, project activities, and approved budget lines under the Funded Activity Agreement (FAA). - Explain any significant variances between planned and actual financial performance, including reasons for delays or underspending. - Confirm the status of project co-financing and any reflows, or investment income generated.
(ii) Annual Financial Performance Report (FPR)	<ul style="list-style-type: none"> Like the semi-annual financial report, only difference it provides a comprehensive financial overview for the full financial year Submit within 60 days after end of reporting period (31 Dec) or as specified in the FAA. It also forms part of the Annual Performance Report (APR). It used to monitor implementation progress 	<ul style="list-style-type: none"> - Support assessment of project implementation progress, linking financial performance to results and milestones. - Ensure data consistency with audited financial statements and maintain transparency for continued disbursement and reporting to the GCF Board.

(2) Annual Financial Statement

Accrual Based Financials, show the financial performance and position of the project

Scope & Content (per AMA 17.02(b))

Prepared for **each Funded Activity** and the **GCF Account**

Must include:

- **Disbursements:** dates & amounts (period and cumulative, by Funded Activity)
- **Expenditures:** actual expenditures (period and cumulative, by Funded Activity)
- **Investment Income:** earned on GCF proceeds & amounts paid to GCF
- **Reflows:** received from Funded Activities & amounts returned to GCF (if applicable)

For reports submitted at Portfolio level, include Annex with specific Funded Activities Financial Statements listed separately

Audit Requirement (AMA 17.01(b)):

- Certified by **independent external auditors**
- Conducted in line with **internationally recognized auditing & accounting standards**
- Must reconcile with the **unaudited annual statement**
- All information reported in **GCF Holding Currency (USD, EUR, JPY, GBP) as per FAA**

Timeline (AMA 17.02(b)):

- **2 (i) Unaudited Annual Statement:** within 2 months after GCF FY end, or as specified in the AMA
- **2 (ii) Audited Annual Statement:** within 4 or 6 months per FAA after GCF FY end, or as specified in the AMA

Focus: Presents the **financial position and performance** of GCF-funded activities. Confirms funds were used for approved purposes.

(3) Final Financial Statement at Project Closure

Prepared at project closure/termination

Must include (per AMA 17.02(c)):

- **Total disbursements received** (period & cumulative, by Funded Activity)
- **Total cumulative expenditures** by Funded Activity
- **Final GCF Account balance**, including confirmation of unused funds returned to GCF
- **Investment income** earned and transferred to GCF
- **Reflows** generated (if any) and amounts returned to GCF
- **Confirmation of compliance** with all financial covenants (if any were included in the FAA)

Additional Requirements

- Must reconcile with **previous annual/semi-annual reports** and GCF records
- Certified by **independent external auditors**
- Presented in GCF holding currency (USD, EUR, JPY, GBP) agreed in the FAA

Submission Timeline (AMA 17.02(c)):

- **3 (i) Unaudited Final Statement** → within **2 months** of project closure/expiration/termination, or as specified in the AMA
- **3 (ii) Audited Final Statement** → within **4 or 6 months** of project closure/expiration/termination, certified audit opinion required, or as specified in the AMA

03

Frequently asked Questions

1. What is the difference between **Funded Activity Financial Statements (FS)** and **GCF Account FS**

Clause 17:02 (b): The AE must submit **annual unaudited (2 months) and audited (4 months) financial statements** for each **Funded Activity** and for **the GCF Account** and should be prepared using international accounting standards

	GCF ACCOUNT FINANCIAL STATEMENT	FUNDED ACTIVITY FINANCIAL STATEMENT
Focus	How the AE received, held, and managed GCF funds.	How GCF funds were used to implement the project .
Context	<ul style="list-style-type: none"> The exact amount transferred to the AE i.e, Amounts disbursed by GCF to the AE (period & cumulative). Investment income earned on unspent GCF funds and amounts returned to GCF. Reflows received/returned to GCF, if relevant. Year-end balance of GCF proceeds held by the AE i.e the official closing balance. 	<ul style="list-style-type: none"> Presents the financial position and financial performance of the Funded Activity. Amounts disbursed by the AE for project implementation (to EEs or direct implementation) – period & cumulative. Actual expenditures incurred under the Funded Activity (period & cumulative). investment income earned on project funds and amounts paid back to GCF (if applicable). Reflows received/returned at project level (if applicable)
<ul style="list-style-type: none"> For Single Funded Activity Financial Statements, with no expenditures implemented, inflows recorded in the GCF Account FS may match the disbursements and expenditures recorded in the Funded Activity FS. But they remain different statements with different scope GCF Account FS(shows custody and management of funds disbursed to the GCF account/ledger) and FA (shows uses of funds, project expenditure) and . 		

2. The difference between the context of the Annual Financial Performance Report , Unaudited and Audited Financial Statements .

Report Type	Purpose	Basis / Standards	What It Must Include (per Clause 17)	How GCF Uses It
Annual Financial Performance Report (APR – Financial Section)	<p>Is a monitoring tool for tracking project progress and fund utilization.</p> <p>Forms part of the Annual Performance Report (APR) submitted to the GCF Board</p> <p>Supports project monitoring and performance assessment; enables continued disbursement and reporting to the Board.</p>	Cash basis (GCF template),	<p>Must contain information required under 17.02(a)(i), (ii), (v) :</p> <ul style="list-style-type: none"> Period & cumulative disbursements to Funded Activity. Period & cumulative expenditures. Investment income earned & paid to GCF Reflows, 	Used for annual performance review, reports on the financials for reporting period, can be used to determine eligibility for next disbursement.
Annual Unaudited Financial Statements	Provides the formal financial statements of the GCF Account and Funded Activity before audit.	Prepared under internationally recognized accounting standards (e.g., IFRS), on accrual basis	Same content as the APR FS (per 17.02(b)), but prepared in financial statement on accrual basis using international standards	Used by GCF to cross-check APR, reconcile cash vs. accrual figures , and prepare for the audit review. Shows financial position but without independent assurance.
Annual Audited Financial Statements and Final statements	<p>Provides third-party assurance to GCF and donors on the use of GCF funds and the financial position of the project;</p> <p>feeds into the GCF's own institutional audited financial statements.</p>	Audited under internationally recognized auditing standards (e.g., ISA).	<p>Same content as the unaudited FS (per 17.02(b)), but now with:</p> <ul style="list-style-type: none"> Independent auditor's opinion Notes & disclosures Confirmation of proper use of GCF proceeds Compliance with accounting and auditing standards 	<p>GCF relies on this as the highest level of fiduciary assurance.</p> <p>Used to:</p> <ul style="list-style-type: none"> Verify project expenditures Confirm financial integrity Support project completion & closure decisions

3. What Are Annual Audited Financial statement expected to cover?

Under GCF **Clause 17**, AEs must prepare *annual audited financial statements* for each **Funded Activity** and the **GCF Account**, in line with internationally recognized accounting and auditing standards (e.g. IFRS, IPSAS).

Each Annual Audited Financial Statement must include:

- **Auditor's Opinion:**
Independent assurance that statements present fairly the financial position and are prepared per IFRS/IPSAS and GCF fiduciary standards
- **Management Assertion or Representation:** The Authorized Representative or Chief Financial Officer (CFO) (or equivalent) of the Accredited Entity must sign the management assertion or the cover letter transmitting the audited statements to GCF.
- **Notes to the Financial Statement:** Detailed disclosures explaining the basis of preparation, accounting policies, fund balances, expenditures by component, commitments, investment income, and any reflows.
- **Disbursements:**
Dates and amounts disbursed to Funded Activities (period & cumulative).
- **Expenditures:**
Actual expenditures incurred for Funded Activities (period & cumulative).
- **Investment Income:**
Interest or investment income earned on GCF proceeds and amounts paid to GCF.
- **Reflows:**
Any funds returned or reinvested, including repayment to GCF.
- **Balances:**
Closing balances showing unspent or committed funds at year-end.
- **GCF Account Summary:**
Overview of GCF proceeds held, used, and remaining in the AE's dedicated account.

Purpose & Fiduciary Value

- Confirms **proper use of GCF resources** and adherence to the Funded Activity Agreement (FAA).
- Provides **independent validation** of the financial data reported in the APR and unaudited statements.
- Strengthens **fiduciary confidence**, transparency, and accountability.
- Serves as a **basis for continued disbursements** and portfolio performance assessment.

The Annual Audited Financial Statement tells the verified financial story of each Funded Activity — confirming how funds were managed, used, and safeguarded under GCF fiduciary standards these financials feed into GCF Financial Statements.

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Special purpose financial statements

Income and expenditure for the year ended 31 December 2024

Description	Note	Budget	Actual
		(1 January 2024 to 31 December 2024)	(1 January 2024 to 31 December 2024)
		US\$	US\$
Income			
Opening balance	4.2.3	-	5,338,997
Income received from GCF	4.2.4	-	5,088,488
Other income	4.2.5		31,837
Interest income refund to GCF	4.2.6	-	(57,565)
Total funds available for use		-	10,401,307
GCF funding expenditure by category			
Staff cost	4.2.7	966,921	654,920
Professional services	4.2.7	91,862	203,395
Travel and per diem	4.2.7	194,224	320,037
Training, workshop & conferences	4.2.7	204,244	210,981
Building and Infrastructure	4.2.7	221,000	426,729
Field activities	4.2.7	669,000	1,355,831
Outreach	4.2.7	163,500	-
Vehicles & related costs	4.2.7	33,050	31,519
Office general & admin costs	4.2.7	56,829	16,028
IT Equipment & Software	4.2.7	28,830	62,657
Grants	4.2.7	1,167,297	1,085,153
Audit	4.2.7	20,000	13,498
Total expenditure		3,816,756	4,380,748
Fund balance	4.2.9	-	6,020,559

The special purpose financial statements on pages 7 to 11 were approved and authorised for issue by management on 7 July 2025 and are signed on its behalf by:

4. Whether funds with disbursement but no implementation require audited statements

Short Answer:

YES — though it depends on the **timing** and **status of implementation**.

Key Points:

- If funds were disbursed but no activities were implemented within the fiscal year, the AE must still **report on the GCF Account** (showing fund receipt, balance, and any interest earned).
- **Audited Financial Statements may be waived** for that fiscal year if:
 - There were **no financial transactions or expenditures** related to project implementation; and
 - The AE provides a **written justification** explaining the timing (e.g., funds received at year-end, implementation not yet started).
- If funds remain idle for more than a year without implementation or justification, GCF may request **an audit of the GCF Account** and an explanation for delays — prolonged inactivity may trigger **fiduciary review or cancellation discussions**.
- Regardless of implementation status, **Financial Performance Reports (in Excel)** are still required to track fund position and transparency.

5. What are the essential elements of the financial reporting system?

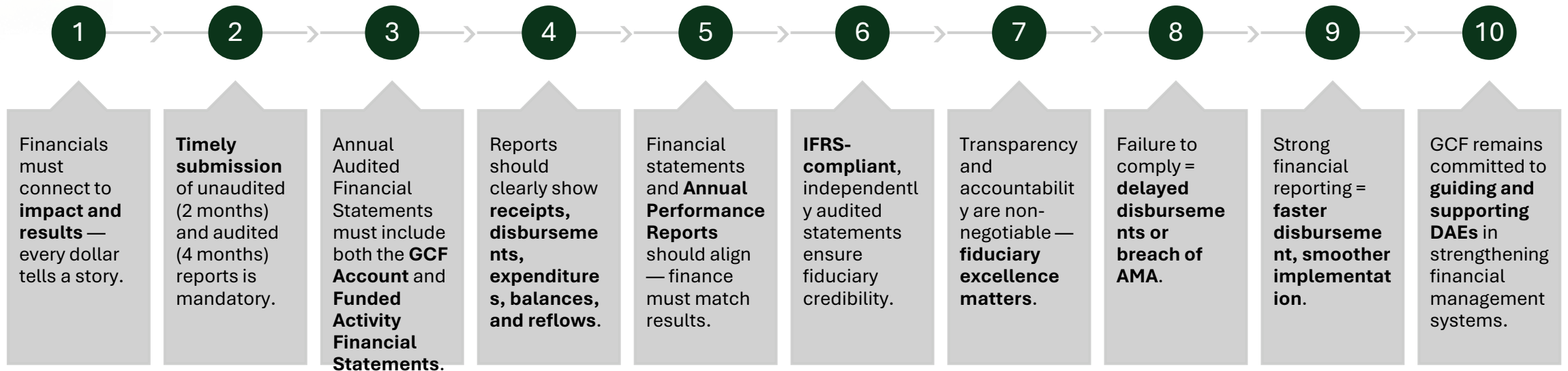
Key Element	Purpose / Why It Matters
Separate Accounting and Record-Keeping	The AE must maintain a FMS with separate informational statements, accounts, and records for all GCF proceeds and other GCF funds.
Standardized Reporting Framework <i>(Disbursements, Expenditures, Investment income, Reflows and closing balance)</i>	Financial information must be prepared in accordance with internationally recognized accounting standards (e.g., IFRS or IPSAS) and consistently applied. <ul style="list-style-type: none">• GCF holding currency (USD, EURO, JPY, GBP) must be used, the GCF FY (31 Dec) must be used.• Audits must also follow internationally recognized auditing standards (Clause 17.01(a)–(b)).
Transparency & Accountability	Ensures every GCF dollar is traceable to a specific activity, output, or result as per the FP and FAA; <ul style="list-style-type: none">• reinforcing trust and credibility.
Periodic Financial Reporting	Semi-annual and annual financial performance reports capture disbursements, expenditures, and fund balances; <ul style="list-style-type: none">• allowing GCF to monitor fund use and link disbursements to results.
Independent Audit Assurance	Annual audited financial statements provide third-party validation that GCF funds are used for approved purposes , ensuring fiduciary integrity and accountability.
Monitoring & Reconciliation	Aligns expenditures, disbursements, and approved budgets; any reallocation beyond the permitted threshold must be approved by GCF to maintain eligibility and compliance.
Compliance & Oversight	Enables GCF Secretariat to review, verify, and report to donors; <ul style="list-style-type: none">• linking financial management to impact, sustaining donor confidence, and supporting future replenishment.

6. Why GCF Does Not Have an Annual Audited Financial Statement Template

Aspect	Explanation / Expectation
AE Financial Management Systems (FMS)	Each AE operates under its own FMS, aligned with national laws and institutional policies .
Accounting Frameworks	Frameworks vary across entities (e.g., IFRS, IPSAS, national standards), making a single template impractical.
GCF Approach	Emphasizes flexibility and ownership , allowing AEs to use systems already accepted by their auditors and governance structures.
Standard Templates Provided	GCF provides templates for Semi-Annual Financial Performance Reports to ensure consistency in reporting disbursements, expenditures, income investment, and reflows; against results as part of the APR.
Annual Audited Financial Statements (AFS)	<p>AEs use their institutional format, ensuring it includes:</p> <ul style="list-style-type: none">• Funded Activity Financial Statement• GCF Account Financial Statement <p>Each showing inflows, outflows, balances, and expenditures, as required under Clause 17.02(b), Auditors Opinion, Management Assertion confirm the reports financial information.</p>
Future Considerations <i>(We are not yet there but under considerations)</i>	<p>GCF is exploring a reference Annual Financial Statement disclosure template to:</p> <ul style="list-style-type: none">• Define minimum disclosure requirements, the financial information to include.• Allow adaptation to AE accounting systems.• Improve comparability, clarity, and audit readiness, ensuring reported financial information:<ul style="list-style-type: none">i. Aligns with approved FP and FAA, linking financial flows to project implementation and impact.ii. Confirms funds were used as intended per FAA and FP commitments.iii. Provides accurate and complete statements prepared according to internationally recognized accounting standards.



Key Take Aways



04

Budget Reallocation and Restructuring



Budget Reallocation and Restructuring

Permitted reallocations:

Reallocations **within the permitted thresholds** (for example, within 10% variation across Outputs as stipulated in the FAA) are allowed may be undertaken **without prior written approval** from the Secretariat. These adjustments should, however, be **fully disclosed and justified** in the Financial Performance Report

Reallocations requiring approval:

Where a proposed reallocation **exceeds the permitted limit specified in the FAA**—such as variations of **more than 10% between Outputs** the **AE** must **formally notify and obtain written approval** from the GCF Secretariat **prior to implementation**. This sometimes result in budget restructuring

Budget restructuring:

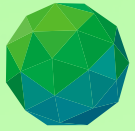
Broader restructuring—such as the introduction of new budget lines, redefinition of Outputs, or significant changes in project delivery arrangements—requires **prior consultation and clearance** from the Secretariat.

Reporting and transparency:

All reallocations, whether within or beyond the permitted limits, must be **transparently reported** in financial submissions to the GCF, including explanations for any major budget variances and how these adjustments support effective project delivery.

Note:

While limited flexibility is allowed to accommodate implementation realities, frequent or large-scale reallocations are **not encouraged**, as they may reflect weak planning or affect project delivery timelines and outcomes.



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Thank you

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