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Post-Bali: It's Crunch Time!

Few Decisions at its 6th Meeting Increase the Pressure on the GCF Board to Deliver in May for the Start of the Fund's Resource Moblization this Fall

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Few Decisions at its 6th Meeting Increase the Pressure on the GCF Board to Deliver in May for the Start of the Fund's Resource Mobilization this Fall

The sixth meeting of the Board of the Green Climate Fund (GCF) in Bali from February 19 – February 21, 2014 was meant to propel the new Fund toward full operationalization by year's end. After Bali, however, this tightly timed goal – which included the expected start of the GCF's resource mobilization efforts in connection with the UN Secretary General's extraordinary climate summit in New York on September 23rd – is in peril. The 24 Board members left Bali with only a handful of actual decisions taken and many more postponed for the next Board meeting in late May, after old tensions between developed and developing countries flared up. At issue are competing approaches on how the GCF should support the paradigm shift towards low-carbon and climate-resilient development in recipient countries. Will the GCF operate as a fund closely tied to the UN Framework Convention on Climate Change (UNFCCC) passing on primarily concessional public finance to all eligible Non-Annex I-Countries under the Convention? Or is the GCF to develop eventually into a more full-fledged climate bank with complex financial instruments which could prioritize public funding to leverage private sector engagement in only a few competitively selected countries and investment opportunities?

Presiding over their first GCF Board meeting as new co-chairs, German Board member Manfred Konukiewitz and the Philippine's Jose Ma. Clemente Sarte Salceda faced difficulties in steering their colleagues through a heavy-set agenda and keeping them task-oriented and focused on decision-making. Instead lengthy discourses about the Fund's travel and administrative policies, including in closed executive sessions, took away precious Board time. This short-changed in-depth Board member feedback on a number of operational policies for which only progress reports were under review in Bali with a decision based on revised texts to come in May. In total six of the eight policies deemed essential for the Fund to be able to receive and disburse funding this fall will have to be decided at the next Board meeting. Added to this are a number of operational modalities, where decisions expected in Bali were postponed to the May meeting, including on a work program to get developing countries ready for GCF funding. This increases the pressure on the GCF Board and its Co-Chairs for the May meeting tremendously.

In Bali, the Board was only able to decide on two of the total eight policies considered essential requirements for GCF resource mobilization, namely the terms of reference for several accountability mechanisms for the Fund, and probably the most important decision in Bali, Fund-wide benchmarks for how GCF resources will be allocated. The Board confirmed that the mandated balance between spending for adaptation and mitigation in effect means a 50:50 split "over time." It also reserved a minimum half of all of its adaptation spending for particularly vulnerable countries, such as LDCs and SIDS. Interestingly enough, there was only one issue in which the Board went beyond what was considered to be a likely outcome for the Bali meeting, with the Board deciding to raise ambition for the implementation of the GCF mandate for a gender-sensitive approach to its funding by approving a far-reaching gender decision.

In preparation for the all important 7th GCF meeting, which is to take place from May 18-21 in Songdo, South Korea, good cooperation between the Board Co-Chairs, Executive Director Hela Cheikhrouhou and a still understaffed GCF Secretariat, which is to revise and re-issue more than a dozen complex policy papers, will be crucial. The Co-Chairs will have to step up their efforts in smoothing out Board disagreements over key operational policies already in the lead-up to the May meeting and work with the Secretariat strategically to draft balanced decision texts which the Board members – in the interest of seeing the Fund succeed and start funding quickly – can compromise on.

The opening of the formal Board meeting followed a day of informal Board discussions in which progress reports on core requirements for the Fund's initial resource mobilization process were discussed. What Board members (see Annex I for an updated listing) were hoping to be an initial exchange only, proved to be instead – to the consternation and dismay of numerous Board member who had refrained from voicing their opinion during the informal session – essentially the only time to deliberate five progress reports (on the proposal approval process; the accreditation framework with fiduciary standards and environmental and social safeguards; the risk management and investment frameworks; and the structure of the Fund, including its Private Sector Facility) in some depth due to severe time constraints in pressing through an agenda filled to overflowing and some time-management issues. Board members were also not happy with a written summary of the informal discussion provided by the Co-Chairs. Intended to capture some of the informal guidance by Board members, many felt felt that they should have been given the opportunity to add comments that they were not able to made in the initial discussion session. Others complained that Board members were not given the opportunity to check the summary for accuracy and completeness as it was now accorded a de-facto GCF document status.

The new Co-Chairs from Germany and the Philippines, Manfred Konukiewitz and Jose Ma. Clemente Sarte Salceda, in welcoming the Board and promising that their chairmanship would be one of results orientation and transparency, also had to face some now almost standard criticism from their Board colleagues about how late to the preparatory Board documents were shared with the members, their alternate members and advisors, making preparation – and compromise seeking in advance – more difficult. The Board agenda was updated to integrate a discussion on administrative policies, which could not be addressed with a Board no-objection before Bali in-between meetings, and to shift the order of some agenda items, including by moving the considerations for options for a gender-sensitive approach up. The Board then adopted the meeting report of the fifth GCF Board meeting, subject to some changes requested by the Board members from Egypt and Saudi Arabia[*] which wanted to see more details on budgetary figures as well as reactions and responses from Board members to colleagues' interventions reflected in the Board report.[1] Both the Secretariat and the Co-Chairs presented their respective activity reports[2] to the Board, highlighting for example the joint activities of Co-Chairs and the Executive Director during the UNFCCC 19th Session of the Conference of Parties (COP) in Warsaw in late November 2013, as well as the formal opening of the new GCF offices of the Independent Secretariat in the Songdo G-Tower in early December 2013. The Board then heard progress reports from the various Board committees and panels, including the Investment Committee, the Risk Management Committee, the Ethics and Audit Committee and the Private Sector Advisory Group (these updates are addressed in the context of the relevant operational modalities and policies in sections further below).

Initial Modalities for the Operation of the Fund's Mitigation and Adaptation Windows and the Private Sector Facility

The initial modalities for the operation of the Fund's windows and the PSF are one of eight essential requirements for resource mobilization to start; however, they are not a distinct single set of issues to be addressed separately but rather the summary of previous and still outstanding decisions on various elements of the Fund's operational modalities. The Secretariat paper for Board consideration and decisions[3] was thus an effort to put the separate puzzle pieces together and show what the big picture and *gestalt* of an operational GCF would look like. The paper essentially went through more than a dozen distinct steps and operational set-ups and structures necessary to channel and track GCF resources, from the designation of National Designated Authorities (NDAs) or focal points serving as key interlocutors of recipient countries with the Fund to accrediting implementers and intermediaries, identifying criteria for the approval of investment decisions for programs and programs to the terms and conditions of the financial instrument provided to implement those activities to the measuring of results and risks and repayment of loans. It became very clear in the Bali Board discussion how difficult an

[*] Throughout this report, which draws on preparatory and decision documents as well as extensive notes taken by the author present as civil society observer in Bali, the opinions and statements by Board members will be identified with reference to the countries/constituencies they represent. Possible misrepresentations of Board member interventions are thus due to errors in note taking. While no written transcript of the meeting is made public by the GCF Secretariat, the Board at its 4th Board meeting in June 2013 decided to provide a recording of the Board meeting to registered users at the GCF website three weeks after the meeting, thus making it possible for anybody interested to identify statements and positions by individual Board members. As of the publishing of this report (in mid-April 2014) neither a recording of the Bali Board procedures, nor a summary of decisions taken by the Board in Bali have been made posted on the GCF website at www.gcfund.org.

endeavor it was to show the greater sum of the parts, the GCF *gestalt,* in a process which was still in motion and missing key pieces and parts – namely five key decisions on other essential policy requirements for resource mobilization for example, which were postponed to the May meeting. Reactions from Board members covered a wide range of issues, but converged in the conviction expressed by many that a decision in Bali was premature and that it could come at the earliest at the very end of the May GCF Board meeting with other interrelated decisions then taken.

Nevertheless, the Board members from France, the United States, Germany and Norway welcomed the paper as a good overview, even in its provisional version, and thus constituting a "turning point in the Board discussions" by showing "the closest thing to the animal that we have ever seen". Others were less positive about the paper, with the Board member from Egypt indicating that he could not support it, specifically because it was lacking any reference or elaboration on the workings of the adaptation or mitigation windows – their structure, how they interact, or eligibility criteria for recipient countries to access funding under each. The Board member from India had some concern about the proposed sequence of steps in the funding process and urged to make guidelines for funding approval – and reasons for rejection or acceptance of proposals – public and transparent. The representative from South Africa found several constituent elements of the Fund's initial modalities missing, such as country ownership and the alignment of proposals with policies and strategies in the recipient country, but stressed adjustment as initial modalities would come with portfolio size and maturity. The Board member from Zambia was concerned with the process, wondering if a decision was both needed and possible at this stage. Board members from Sweden and South Africa, supported by their Zambian colleague, proposed then a revision of the modalities paper based on Board input from Bali for the May meeting. The Board will then consider and approve a revised and improved version that would address some of the elements Board members found missing. As it will be considered only at the end of the May Board meeting, the decision on the initial modalities could then serve as the summary decision to "certify" that the essential requirements have been met to formally kick-start the resource mobilization process for the Fund this fall.

Structure of the Fund, including its Private Sector Facility – Progress Report

At its 4th Board meeting in Songdo, the GCF Board in Decision B.04/09 outlined that the initial structure and organization of both the Fund and the Secretariat should be thematic, with a Private Sector Facility (PSF), a strong country and programmatic focus, as well as "internal coherence and linkages, and the flexibility to evolve over time." At the Paris Board meeting, the Board then decided the initial structure of the Secretariat with five divisions, focusing on country programming; mitigation and adaptation; the PSF; support services; and external affairs respectively, overseen by the Executive Director (Decision B.05/10). Paris Board decisions also set up a number of Board committees and panels (Decisions B.05/12-13) and formally established the Independent Secretariat by terminating the interim arrangements and formalizing the Secretariat's move to Songdo, South Korea and the recruitment of its staff (Decision B.05/11).

Finalizing the Fund's structure is considered to be an essential requirement for the initial resource mobilization. In Bali, the Board only discussed a progress report by the Secretariat as part of the informal meeting on the eve of the Board meeting.[4] The progress report outlined the responsibilities of the GCF Board and Secretariat respectively as the two core governance components of the Fund, with the Trustee playing no role in the operational direction of the Fund. In between Board meetings, the Co-Chairs act as the link between the Board and the Secretariat and are to provide guidance to the Secretariat on core strategic matters. The Board organizes itself in a number of specialized committees and panels (on risk management, investments, ethics and audit matter, the private sector advisory group and the accreditation panel). The Executive Director, who is appointed by and accountable to the Board, oversees the operation of the Secretariat, including staff selection. The progress report took some first steps in delineating functions between the Board and the Secretariat, suggesting for example some delegation of the Board's decision-making prerogative to the Secretariat for funding decisions within developed strategic parameters set by the Board's Investment Committee and supporting for example streamlining the proposal approval process (paras. 30-33). A possibly role could be played by a "decision working group" which the progress reports proposed could be set-up within the Secretariat under the authority of the ED, who would only inform the Board about its functions and composition, but not seek the Board's authority to do so (paras. 48-50).

The progress report also detailed some of the planned structure and staffing for the PSF which in line with Decision B.04/08 is supposed to be fully integrated into the Fund's governance and management structure, and suggested a phased approach to essentially expanding its operation and tool-box, including of the use of a broad range of financial instruments beyond grants and concessional loans, as well as the possible stream-lining of processes "consistent with the pace of the private sector, to be able to effectively catalyse and leverage private sector investments" (paras. 53-57). The issue here is how much structure and processes to engage the private sector will diverge from those focusing on public sector engagement.

In the informal Board discussion on this matter in Bali, there were different views by Board members of how the balance between efficiency of decision-making (which could entail some delegation of decision-making powers to the Secretariat, including some Secretariat working groups to be set up) and strong Board-driven governance of the GCF as a new type of international institution could be assured. Several Board members indicated that they felt they needed more information, for example on the detailed structure and operational set-up of the PSF (Board members from the United States and Japan), the interaction of private activities with the windows for adaptation and mitigation (the Board member from Denmark), and more details on how specifically the adaptation and mitigation windows would function (the Board member from Egypt). The Egypt representative also expressed his reservation against establishing a decision working group within the Secretariat, indicating that in his view it was premature to talk about the delegation of Board authority to the Secretariat. The Board member from China urged to keep the structure of the Fund flexible, in line with the GCF's learning mandate, and adjust it over time. The Board members from Germany and Poland felt that the paper assumed too many issues still under discussion and proposed to focus on just delivering a short description of the outlines of the Fund in May to fulfill the essential requirement. Lastly, the Southern active private sector observer urged a streamlined decision-making with clarity of the respective roles of the Secretariat versus the Board as a way to ensure private sector leverage. The progress report will be reworked into a decision document for Board consideration and approval at the May GCF Board meeting.

Private Sector Advisory Group (PSAG)

The development of a Private Sector Facility (PSF) is mandated by the Governing Instrument (para.41), which also places the activities under the PSF under the mandates and requirements of a country-driven approach (para.42), including, as defined by the COP decision in Durban on the GCF, the application of a no-objection procedure. At the 4th Board meeting in Songdo, the Board decided to construct the PSF as an integral component of the Fund placed under the authority and guidance of the GCF Board. However, while for several developing country Board members the key issue here was the accountability of the PSF to the GCF Board, including the Board's responsibility and readiness to address the risks of PSF investments, for several developed country Board members such an integration indicated a desire to "mainstream" a private sector and leverage focus throughout GCF activities (and to not just confine it to a specialized business unit under the Fund). The Songdo decision to establish a Private Sector Advisory Group (PSAG) as a joint panel of Board members and external experts on the private sector (which will make recommendations to the Board on Fund-wide engagement with the private sector and on modalities to that end) is in line with such a "mainstreaming private sector activities into all of the GCF"-approach.

At the 5th Board meeting in Paris, the Board approved the terms of reference for the PSAG, including a set of criteria to determine the total eight private sector and two civil society members of the group. It also appointed the Board members from the United States, Switzerland, South Africa and Pakistan to the panel. Members of the PSAG will serve for an initial term of 18 months, with non-Board experts serving in their personal capacity and not allowed to delegate their role in the group to other (outside) individuals. A review of the usefulness and continued necessity of the PSAG by the Board is scheduled after three years.

The Board's decision from Paris had requested the Secretariat "to initiate an open call for nominations, including from Board members" for the selection of the private sector and civil society members of the panel. Already in Paris, active civil society observers had urged the Board to respect their self-selection of two representatives, whose names after Paris, following a transparent self-selection process, were forwarded to the Secretariat and Board for consideration. The Paris decisions left unclear who exactly was to make the selection of the non-Board experts to the PSAG (if for example the Board co-chairs were to take the lead and consult with the full Board through no-objection intersessionally and what role the Executive Director was to play in such a selection process). The Paris decision did not specify the selection process itself, only the selection criteria. From the perspective of registered civil society observers it was therefore considered to be crucially important for the legitimacy of the GCF, given the importance the PSAG has for determining the overall private sector strategy of the Fund, for this process to be as transparent and fair as possible.

In Bali, the Board member from Switzerland in his capacity as chair of the PSAG reported back on the panel's status, indicating that the four Board members of the panel with assistance by the Secretariat had concluded their selection process of the private sector and civil society representatives and forwarded the fully documented work to the Board Co-Chairs but by Bali had not received the approval of both Co-Chairs. The Philippine Co-Chair then clarified that he had some reservation regarding the selection of civil society representatives. Speaking on behalf of civil society, the Southern active civil society observer expressed the disappointment of her constituency that the self-selection was not honored without any information for the basis on which those self-selected CSO nominees were rejected. While the PSAG members from South Africa and Switzerland defended the integrity of the selection process, arguing that self-selection was not mandated by the Board, and the private sector active observers professed to be quite happy with the process, developing country Board members from Saudi Arabia, Brazil, India, China and Ecuador asked for transparency on the selection process for PSAG members, calling the process itself deficient and asking for the development of clear guidelines and procedures to ensure that transparency and integrity of the process can be safeguarded for future nominations in similarly important Board panels.

At the request of the Philippine Co-Chair, the PSAG was then asked to give a detailed report back to the full Board on the selection of non-Board panel members later in the Board meeting. With the PSAG report distributed to Board members only (it was not shared with observers), the PSAG Chair from Switzerland reported that in response to the open call put out by the Secretariat more than 150 applications in total were received with 17 applications from civil society and the rest from private sector by the application deadline in early December. The Secretariat supported the PSAG Board members in developing an evaluation methodology based primarily based on criteria elaborated under the PSAG Terms of Reference under the Paris Board decision, but also taking into account geographic balance and complementary expertise. This methodology was used to shortlist applicants to 20 private sector representatives (10 Southern, 10 Northern) and seven CSO candidates (3 from developing countries and 4 from developed) from which the PSAG Board members suggested a list of nominations for the review and approval by the Co-Chairs. In a meeting between the PSAG Board members and the Board Co-Chairs, concern about one private sector candidate was expressed, who was replaced. The full list of the non-Board members of the PSAG selected was then approved by the Co-Chairs in Bali, following the presentation of the report.

It is worth noting that while the PSAG Board members looked at some geographical balance, they failed to take into account the mandate of the GCF Governing Instrument for the Board – and by extension, its committees and panels – to strive also for gender balance, with only one of the selected ten outside experts a woman. Hopefully, the gender of those selected is not indicative of their interest in and ability to address gender differences with respect to entrepreneurship, accessibility of financial services and investment priorities of men and women in developing countries in keeping with the guiding principle of the GCF Governing Instrument for a gender-sensitive approach to GCF funding.

The following non-Board members for the PSAG from civil society and the private sector[5] were approved at the Bali Board meeting:

Developing Countries:

- **Mr. Dipal Chandra Barua**, Founder & Chairman, Bright Green Energy Foundation, Bangladesh
- **Mr. Aurelio Souza**, Consultant/former Country Director and Legal Representative, Brazil Office, Winrock International (civil *society*), Brazil
- **Mr. Rodrigo Violic**, Head of Project Finance, Banco BICE, Chile

- **Mr. Inderpreet Wadhwa**, Founder and CEO, Azure Power, India
- **Mr. Kevin Whitfield**, Head, African Treasuries, Carbon and Financial Products, Nedbank, South Africa

Developed Countries:

- **Ms. Amal Lee**, Associate Director, E3G (*civil society*), United Kingdom
- **Mr. David Bresch**, Head Sustainability, Swiss Reinsurance Company Ltd., Switzerland
- **Mr. Jay Koh**, Partner and Managing Director, Siguler Guff and Company, United States
- **Mr. Torben Moger Pedersen**, CEO, PensionDanmark, Denmark
- **Mr. Hiroyuki Tezuka**, General Manager, Climate Change Policy Group, JFE Steel Corporation, Japan

Initial Results Management Framework of the Fund – Progress Report

The debate on initial results areas and performance indicators and the results measurement framework (RMF) for the GCF, which began at the 5th Board meeting in Paris, has proved to be a very difficult one, being drawn out over three GCF Board meetings, with a decision now expected for the 7th Board meeting in GCF. This highlights the complexity of the decisions the Board is asked to make, particularly in finding agreement on how the Fund would evaluate the transformative and paradigm shifting impact of its funding as articulated as goal in the GCF's Governing Instrument (paras. 2 and 3), which also mandate that this funding has to be channeled in the context of sustainable development and while taking a gender-sensitive approach. In Paris, the Board eventually decided on a set of 14 initial result areas, some core performance indicators and key criteria which are to form the base for a detailed operational results measurement framework[6], which the Board in an initial version (to be reviewed and revised based on some learning experiences down the road) is now expected to finalize in May. The initial results management is one of the eight key operational modalities seen as essential requirements for the Fund's initial resource mobilization efforts. In Bali, the Board considered only a detailed progress report[7] without taking any decision. Feedback by the Board is to guide the Secretariat in developing the draft decision for the May Board meeting.

The progress report described the proposed logical model (depicting the causal relationship between inputs, activities and results and the expected time for achieving results on various levels) and performance measurement approach specifically geared toward adaptation and mitigation interventions of both the public and the private service. While the Secretariat is to take responsibility for managing the full framework and aggregating results Fund-wide – with these results also intended to inform Fund-wide results-based allocation decisions eventually – , implementing entities (IEs) and intermediaries would be responsible to oversee and aggregate results on national or regional levels or for programmatic interventions (usually consisting of a set of interrelated projects and activities), while executing entities (EEs) would be given the primary responsibility to report performance results of GCF funded interventions at the individual project level. A detailed annex for mitigation and adaptation each elaborated on a menu of expected results, proposed indicators, how information is collected, by whom and how often.

For mitigation, this was to focus on the sectoral themes of urban and built environment emissions reduction; low-carbon power generation; reduced GHG emissions from agriculture and forests; and on mainstreaming low-emission developments into governments. In the adaptation logical model the proposed approach suggested to focus on sectors such as infrastructure and built environment; enhanced human health and well-being; improved ecosystem adaptation; enhanced rural and agricultural adaptation; and mainstreaming climate change adaptation into governments and societies.

In the discussion in Bali, several Board members (from Benin, Japan, Germany and Norway) worried that the proposed framework was too complex and rigid and urged a concentration on a small set of core indicators only, similar to the approach that the World Bank's Climate Investment Funds has taken. The Board member from China in particularly felt that the frame-work was too top-down and disrespectful of country ownership. Other Board members (from Denmark, France and the UK for example) also missed a sufficient linking up with country-led strategies. A number of Board members (from China, India and Zambia) felt uncomfortable with the proposed inclusion of agriculture into the GCF's RMF, pointing out that there was no agreement on how to address agriculture in the UNFCCC yet and that soil-carbon approaches could be a threat to food security. They and the Board member from the UK reminded their colleagues that in Paris there was an agreement to exclude agriculture as an initial mitigation result area. It was also the sense of the Board in Paris that GCF results measurement on mitigation-reduction should not be country-wide, but only GCF funding-specific, an issue brought forth again in Bali by the Board members from China, Brazil, Saudi Arabia, France, Egypt and the UK. Several Board members (from Norway, Germany, Brazil, Switzerland and Ecuador) urged a reconsideration of the REDD+ approach in the proposed RMF to bring it in line with the decisions at COP 19 in Warsaw on a REDD+ framework with respect to national level baselines and reference levels. Lastly, the Board members from the UK and Switzerland pointed to the need for the proper integration of the gender-sensitive approach in the Fund's RMF, for example through disaggregation of indicators by gender at all levels.

The paper proposed for mitigation and adaptation each a set of three indicators, which are to measure a paradigm shift in the Fund's aggregate portfolio. For mitigation, two of the proposed paradigm-shift indicators focused on total GHG emissions reduction and the cost-effectiveness of a reduction in CO_2 emissions, which several Board members questioned as either not being indicative or sufficient to account for the GCF's transformational impact. The Board member from China urged to see the sustainable development context or technology transfer reflected, and the Board members from France and Denmark suggested to focus less on the aggregation of project-level interventions, but more on policy shifts; both points were also supported by the Southern active civil society observer in her remarks. For the Board members from Egypt and Ecuador the proposed third paradigm-shift indicator for mitigation, the volume of direct financing leveraged by the Fund for mitigation interventions, was problematic, with the Board member from Egypt questioning the underlying assumption that the mitigation interventions into which most outside finance is poured have any correlation to being the most transformational ones. The Board member from Ecuador in the same context demanded a definition of value-addition that goes beyond monetary accounting, for example for ecosystem based services. These points were also highlighted in the intervention of the Southern civil active observer, who cautioned that a focus on the cost-effectiveness of interventions on the aggregate level could bias against smaller-scale and community-focused interventions which have generally higher transaction costs in comparison to large-scale measures.

For adaptation, acknowledging that an aggregate results measurement is much harder to narrowly quantify, one of the proposed paradigm-shift indicators looked at a qualitative assessment, namely the level of awareness of specific populations groups (such as women, Indigenous Peoples, business owners or government officials) of the contribution of adaptation measures to their health, livelihoods and socio-economic well-being. Two additional indicators focused on the number and quality of actions on adaptation taken to address identified vulnerabilities as well as the number of countries that routinely screen national and sectoral development plans for climate risks and adaptation needs and actively access and communicate climate risks broadly. While the Board member from Poland worried about indicators on awareness or perception not being objective enough, the British Board member urged to include an aggregate measure on increased resilience and the Board member from Egypt feared that cross-cutting measures addressing both mitigation and adaptation at the same time not being accounted in the proposed RMF. Many more comments focused on specific additional adaptation indicators under discussion (see the separate section below).

In preparing a revised document for a Board decision in May, the Secretariat will have to address these comments, but must also ensure that multiple benefits of GCF funding – including the promotion of environmental, social, economic and development co-benefits and taking a gender-sensitive approach as mandated by the Governing Instrument – are reflected in a small set of core Fund-wide aggregate indicators, for which the Secretariat retains the overall responsibility. They are part of the paradigm shift the Fund wants to support, indispensable for recipient country support and the long-term sustainability and effectiveness of GCF interventions. Measuring co-benefits can therefore not be relegated to implementing and executing entities and intermediaries mandating only that they identify "at least one co-benefit" in project start-up plans, as the Bali progress report had done.

Additional Result Areas and Indicators for Adaptation Activities

When the Board considered initial results areas and performance indicators at its 5th meeting in Paris in October 2013, Board members felt that the proposed adaptation areas and indicators (adaption was addressed partly or exclusively in eight of the 14 confirmed initial results areas) were not yet satisfactory. It had therefore requested the Secretariat to elaborate additional adaptation result areas and indicators for decision in Bali. This is part of the initial results management framework of the Fund whose finalization is considered essential to fulfill the requirements for the resource mobilization efforts to begin later this year.

The Secretariat's paper and draft decision for Bali proposed five extensions and additions, which built on existing results areas, particularly for land use management.[8] However, while the preparatory paper for Bali explicitly acknowledged that the "ultimate aim of all adaptation is to promote prosperity and reduce the vulnerability of people to climate change", a people-centered approach is not at the core of all GCF adaptation efforts and differentiated benefits for men and women not seen as the ultimate indicator for the measurement of GCF adaptation success. Instead, people were "dealt with" in a newly added sector with focus on their health and well-being only. The preparatory paper did instead propose to treat water as a cross-cutting matter to be considered in each of the result areas.

The paper elaborated on the rationale and the performance indicators of five extended/additional adaptation results areas in addition to an overall consideration of how well governments and societies in recipient countries have mainstreamed climate change adaptation (to be measured by the quality of the regulatory environment or the perception – presumably by different population groups – of the timeliness, content and reach of early warning systems).

Among the five was the new results area of climate-resilient infrastructure, which the paper suggested would be the adaptation area with the greatest financing needs and probably the adaptation area in which the private sector would engage the heaviest. Its proposed indicator of "value of infrastructure protected from rapid-onset events and slow-onset processes" focused on the monetary replacement cost of such intervention instead of on its utility ("value of use") for people in developing countries. Also newly added was a suggested result area on approaches to risk-sharing and transfer, such as micro-insurance, regional liquidity guarantee systems in response to disasters or anticipatory recovery plans for regions regularly affected by cyclones or flooding, which will also approach the private sector both as consumer and provider of risk-sharing solutions. The paper proposed extending the sustainable land use management results area (with was agreed to in Paris) with a stronger focus on agriculture and rural adaptation. Local infrastructure projects (to access markets), small grants and loans for new agricultural adaptation technologies and research into improved crop and livestock varieties could fall in this area. Food security systems are the one intervention area that for example LDCs' National Adaptation Programmes of Action (NAPAs) prioritize most frequently and where the importance of multiple benefits and the gender-sensitive approach is self-evident. The last additional adaptation result area proposed focused on ecosystem and ecosystem-based adaptation, but with a performance indicator that looked only at the number and area of habitats restored or protected by funded activities, but not whether and how this protection enhances the ability of people living in these areas to better adapt to climate impacts.

In the discussion in Bali, Board members offered a wide range of perspectives on the proposed additional adaptation result areas and indicators with a number of Board members asking for specific other results areas to be added while others worried that there are already too many project-specific indicators and a concentration on fewer adaptation core indicators measuring aggregate outcomes and impacts would be advisable. A number of Board members identified specific result areas they wanted to see included or addressed, such as land use restoration and conservation of soil and water (the members from Benin and Egypt); coastal and marine ecosystems and related economies and livelihoods (the member from Barbados); fisheries and cultural heritage (the member of Egypt); a stronger focus on cities (the member from South Africa); loss & damage and slow onset activities (the members from Ecuador and Egypt); and extreme weather events (the members from Barbados and Egypt). With respect to indicators, the Board member from Sweden worried about the risk of having to many indicators, with the British, the Japanese and Swiss Board members suggesting that proposed indicators were to project-specific and that instead fewer outcome (programmatic) and aggregate (portfolio-wide) indicators should be considered, including some measuring increased resilience and welfare and well-being as cross-cutting for all result areas. The importance of adding an indicator on the strengthening of local and national institutions addressing adaptation and increasing their capacities was stressed by Board member from Zambia. The Board members from South Africa, Sweden and Australia urged to focus on an outcome or aggregate indicator for local action as the key to successful adaptation and in support of local communities, specifically highlighting the role of civil society and local governments and local partnership approaches. For the private sector, the Northern active observer underscored a role for risk sharing and risk transfer approaches for both local communities (in the form of micro-insurance), but also for countries in pooled risk facilities to address disaster risk and prevention.

Reacting to the discussion, the Board member from India felt that the Board at this stage should discuss guidelines towards goals rather than a long list of indicators, underscoring the difficulty to measure hard results, specifically in adaptation. Other Board members asked to look at the UNFCCC's Cancun adaptation framework for guidance (Norway) and to contact the UNFCCC Adaptation Committee for help in assessing what would be feasible and realistic indicators (Egypt). Indeed, the Co-Chairs of the UNFCCC Adaptation Committee in a letter to the GCF Co-Chairs in mid-March stressed that work undertaken under the Cancun Framework on technical guidelines for National Adaptation Plans (NAP) could be helpful to the GCF, highlighting in particular that "[a]daptation benefits must be understood in their local and national context, following a country-driven, gender-sensitive, participatory and fully transparent approach," with countries having "sufficient flexibility to define their indicators in line with national and local plans and objectives."[9] The letter recommended a focus on just a few results areas (less than the 14 proposed for Bali) and even fewer core aggregate adaptation indicators in drawing on the similar experience of the Pilot Program for Climate Resilience (PPCR).

Acknowledging that a full decision on the adaptation results areas and indicators was not possible without consideration of the full GCF results management framework, the Board in Bali requested the Secretariat to further develop the proposals in light of the comments received from Board and in line with the further development of the Fund's results management framework, which is scheduled for discussion and approval at the May meeting in Songdo. This provides an opportunity to revise some of the suggested adaptation indicators, including on the aggregate fund-level, to focus more on their gender-differentiated benefits for men and women and on prioritizing the building of human resilience – a point the Northern active civil society stressed centrally in his intervention.

Options for a Fund-Wide Gender-Sensitive Approach

The Governing Instrument mandates in para. 3 that the GCF take a gender-sensitive approach in order to maximize the impact of its funding for adaptation and mitigation, and thus defines gender-sensitivity as a cross-cutting issue for operationalizing the Fund. However, the first few GCF Board meetings failed to address gender at all. At the 4th GCF Board meeting in Songdo in June 2013, the Danish/Dutch GCF Board seat represented a non-paper on *"Operationalizing the Gender-Sensitive Approach in the Green Climate Fund"*[10] with a set of recommendations on how the gender dimension could be addressed and integrated in operational modalities and policies of the Fund, such as in the PSF, the structure and organization of the Fund, its access modalities, financial instruments, allocation approach, accreditation framework and safeguards, readiness program or results measurement framework. It made the case that the GCF has an important opportunity to discuss the merits and elements of a gender-sensitive approach in the GCF in conjunction with ongoing Board discussions and decisions on operational building blocks of the GCF business model, and thereby can become the first climate fund that comprehensively addresses gender from the very outset of its operations. Observers from civil society and international organizations have likewise offered suggestions for the integration of gender equality considerations into GCF operational policies since the first GCF Board meeting (for a summary of their recommendations on policies discussed at the 6th Board meeting in Bali, see Annex II). At the 5th Board meeting in Paris, absent a Board document for Board consideration and decision, gender was addressed under "other business." With a large number of Board member urging action, a surprise Board decision in Paris reaffirmed the Fund's commitment to a gender-sensitive approach and requested the Secretariat to present for the Board's consideration an options paper at the Bali Board meeting.

The Board paper for Bali discussed the well-documented facts that climate change impacts men and women differently because of existing gender discriminations and women's contributions to the care economy and showed women's already ongoing contributions in local food security systems, community-based reforestation efforts or the management of water and energy resources as change agents in combating climate change. Looking at experiences of other climate financing instruments, it presented a number of institutional lessons for the GCF to take into account, for example the importance of clear policy guidance and clear accountability structures on gender mainstreaming within the Fund, operational procedures and tools for engagement of Fund partners on gender, the integration of sex-disaggregated data and relevant gender indicators in results and portfolio monitoring frameworks, and the set aside of a dedicated budget for gender-related activities, including for efforts to increase the gender competencies among GCF core staff. The options paper also elaborated that for projects and programs the timely assessment of gender-sensitive issues from the activity onset and a balanced participation of women and men in GCF climate change projects and programs, from initial consultation through meaningful engagement of women as key stakeholders in design, implementation, and results monitoring increases the effectiveness and sustainability of Fund activities. As concrete policy options to mainstream gender sensitivity into the Fund's operations the paper proposed a focus on the GCF results management framework, project/program design and portfolio monitoring and evaluation, as well as an explicit elaboration of gender equity and women's empowerment in the Fund's proposed own set of environmental and social safeguards. Capacity building of Fund partners – via the country ownership approaches on country coordination and multi-stakeholder engagement and through readiness and preparatory support – were further options identified by the paper, which recommended to the Board to support further work for consideration at the Board's October meeting.

In the Board discussion in Bali, members unanimously welcomed the paper with several Board members, including from India, Switzerland, Sweden indicating that it could actually be more ambitious. The Board member from Saudi Arabia suggested to develop a specific gender action plan for implementation of the gender-sensitive approach while his colleague from Georgia wanted to see a clearly elaborated GCF gender policy. The Board members from Zambia, Egypt and India urged to focus on the participation of women in local decentralized decision-making and action, but warned that any demands on recipient countries to add a gender dimension must be supported by the resources for capacity building. The Board members from Sweden, South Africa wanted to ensure that the Secretariat would be supported by an on-staff gender expert. Several Board members worried about the proposed time-line for carrying the gender considerations forward. Representatives from Australia, Sweden, the UK, Norway, Germany and the Netherlands proposed for the Board to recommend to the Secretariat to consider gender in the preparation of relevant decisions for its May Board meeting as a matter of priority, for example for the Results Management Framework, and suggested also the development of a GCF gender policy and a gender action plan. Instead of just taking note of the options paper presented in Bali, Board members then discussed the wording of a more ambitious gender decision A suggested draft decision urged the Secretariat to ensure that gender is integrated into upcoming policy documents, including those for the decision at the 7th Board meeting and suggested the development of a gender policy and action plan, including through consultations with observers with a draft to be discussed for Board guidance in May and finalization at the October Board meeting. Praising the preparation for the Bali gender paper in which observers provided input and feedback on a draft version, the Board member from Brazil proposed a similar procedure for other Board papers as well. Board members from South Africa, India and Egypt stressed that such consultations on the gender policy and action plan should involve developing country observers, including women's groups on the ground as well outreach via country focal points to national women's machineries (for example gender equality or women's commissions or government departments).

For the active observers, the Southern private sector representative expressed the strong support of the business community for the gender-sensitive approach in the GCF, pointing in particular to the entrepreneurial spirit of women in developing countries and their dominant role in domestic small and medium-sized enterprises, including with significant mitigation potential, that a GCF PSF can address. From civil society, the Southern active observer stressed that the implementation of the gender-sensitive approach was part of the paradigm shift that the GCF aspires to and a significant qualifying characteristic of a Fund which does climate interventions differently from business-as-usual approaches by putting a primary focus on equal multiple benefits of its funding for men and women, especially the poorest and most disenfranchised, in developing countries.

Financial Risk Management Framework – Progress Report

At its 4th meeting June 2013 in Songdo, the Board in Decision B.04/08 on the Private Sector Facility (PSF) decided to set up risk a management framework for the Fund. The 5th Board meeting in Paris in October 2013 then established a Risk Management Committee as a standing Board committee comprised of three Board or Alternate Board members each from developed and developing countries. The Risk Management Committee is chaired by the Board member from Indonesia, with the Dutch colleague acting as vice-chair and colleagues from Japan, France, Zambia and the DRC as members[11], and will work to provide guidance to the Board on elements of the Fund's risk management framework, particularly the Fund's "risk appetite". These will be reflected in the investment criteria, which the Board's Investment Committee will set in the Fund's Investment Framework (see separate section), thus a close collaboration between both standing Board committees is desired.

At its Bali meeting, the Board considered a progress report by the Secretariat[12], outlining the purpose and core elements of the proposed GCF financial risk management framework and provided guidance to the Secretariat on defining the way forward. A decision on the financial risk management framework, which the Board is expected to take at its May Board meeting in Songdo, is considered part of the essential requirements the Board set for the initial resource mobilization efforts.

With the Bali Board paper, the Secretariat sought guidance from the Board on the overall and appropriate level of financial risk the GCF will take to reach its mandate to fund transformative action in developing countries. The paper argued that by the nature of its mandate, the Fund will have to assume a higher level of climate-related risk than conventional market interventions (for example to deal with unconventional technologies, scaling-up, and perceived or real lack of financial viability). As the Fund will work – at least initially -- through intermediaries and implementing entities to assess and manage asset-side risk, this suggests that the Fund will have to "assume a significant share of the project's or programme's climate and other risk" to accomplish its transformative mission, provided the IEs and intermediaries have adequate own risk controls in place and codified in covenants between the Secretariat and implementers. The progress report proposed for the Secretariat to assess the risk of the Fund's entire portfolio according to several qualitative indicators, namely a) the rate of non-performing loans (NPLs); b) disbursement delay at aggregate levels, and c) %age of covenants breached at portfolio level. How much can be allocated to a single country at a maximum and country and regional diversification will also minimize portfolio asset-side risk, although the Board in Bali did not agree to a proposed cap on single country allocation of 5% of all GCF resources.

On the liability side, risks – such as arrears in contribution compared to pledges, foreign exchange and interest rate risk – will be monitored on a continuous basis by the World Bank (still interim trustee until April 2015) for contributions, the Secretariat's Risk Manager (for foreign exchange and interest-rate risks) and through reliance on credit ratings agencies for counter-party risk. The Risk Manager will also be in charge of continuously monitoring the risks associated with a mismatch between assets (grants and loans provided for projects and programs) and liabilities (for example for repaying contributor loans).

A special concern is avoiding any cross-subsidization by providers of grant financing for the Fund of the risk for non-performing loans (to ensure that providers of loans to the GCF can be repaid). In Paris, the Board in its decision on financial inputs had specifically instructed the Secretariat to specify the risk that accepting concessional loans to the Fund could pose. In the progress report for Bali, the Board was asked for guidance on how to avoid cross-subsidization, specifically if it agrees with the Secretariat's recommendation to endow the GCF with a capital cushion of no less than 10 % of the outstanding loan portfolio to cover NPLs. Contributing countries loaning to the Fund are expected to add this amount as capital contribution (= non-repayable). The Secretariat is also expecting to receive more than half of the financial inputs to the Fund in form of grants to allow to channel grants (for example for adaptation measures which are to constitute in a balanced funding approach 50 % of the GCF portfolio) via IEs and intermediaries to recipient countries and the private sector and to avoid that NPLs undermine its ability to provide grant-financing.

Risk monitoring and reporting will be ongoing, for example via suggested quarterly financial risk management summaries provided to the Board by the Secretariat's Chief Financial Officer, in addition to a risk register with detailed information provided to the Board on a yearly basis, as well as annual financial statements and an annual portfolio review based on information provided by intermediaries and IEs on their projects/programs. The Board and the Secretariat are also expected to undertake a selfevaluation every two years. The Bali progress paper presents a detailed sample risk register. Noteworthy is the sample register for what is does and does not include. While it does for example include a category on “global financial environment risk” which articulates the danger of waning political support for the Fund or civil society support as stakeholder risk, it does only once and very narrowly allude to “reputational risk” for the GCF in connection with misuse of Fund resources by borrowers. The proposed registry does not go into other equally important dimensions of reputational risk for the Fund, for example if it were to engage in continued fossil fuel lending or if social and environmental safeguards are inadequate or insufficiently enforced leading to blatant human rights violations as a result of GCF investments.

In Bali, Board members stressed that it was vital to have a clear understanding and consensus of the Board of the risk appetite for the Fund, with the members from Barbados and France specifically stressing that the GCF should have a higher risk appetite than existing funds, which – in the words of the Northern private sector observer in his intervention, who proposed for example offering specific risk hedging financial instruments – could be the Fund’s “unique selling point”. The elaboration of specific financial risks in the progress report were found lacking by the South African Board member, who felt that certain risks, for example those posed for the financial viability of the GCF by the non-fulfillment of pledges, were not captured. The Board member from Egypt took issue with the progress report’s drawing from the World Bank, its private sector arm the International Finance Corporation (IFC) and corporate banks for the GCF’s own risk management framework, stating that there was neither a Board consensus nor an agreement for the Fund to become a full-fledged bank.

The Board members from Germany, Japan and France felt that the issue of cross-subsidization needed urgent attention to ensure that it would be avoided, that there would be sufficient grant inputs and that grant resources could be used most effectively, with the Japanese Board member warning that otherwise the willingness of donors to provide grants would be limited. Reporting back from first meetings and deliberations of the Board’s Risk Investment Committee, the Indonesian Chair confirmed the committee’s support for the proposed capital cushion of 10% of capital contributions added to loan inputs into the Fund, as suggested in the Secretariat’s progress report. Lastly, on behalf of civil society, the Southern CSO active observer also underscored the link of the Fund’s risk appetite with the quality and amount of financial inputs, but urged also to have a wider understanding of risks (as recorded in a proposed financial risk register) and to not only focus on revenues and pay-backs, which with a provision of financing for public goods cannot be expected, but also on the reputational risks for the Fund.

Investment Framework – Progress Report

Decision B.04/08 on the PSF from Songdo urged the establishment of an Investment Committee, to “review investment proposals and instruments and recommend their approval in accordance with social and environmental safeguards and the Fund’s objectives and the risk management framework.”[13] The 5th Board meeting in Paris in October 2013 then established an Investment Committee as a standing Board committee comprised of three Board or Alternate Board members each from developed and developing countries, chaired by the Board member from India with colleagues from Australia, Denmark, Chile, the UK, and China[14]. The Investment Committee will have the primary responsibility to develop the investment framework and get buy-in for their proposals and recommendations from the rest of the Board, but is to work in close cooperation with the Private Sector Advisory Group (PSAG) and the Risk Management Committee. The investment framework was originally meant to only focus on the PSF, but now is to apply to the Fund’s whole portfolio. The Fund’s investment framework is tied closely to the “risk appetite” of the Fund, as well as the approval process, specifically the approval criteria for Board decision on GCF projects and programs.

At its Bali meeting, the Board considered a progress report by the Secretariat[15], outlining the purpose and core elements of the proposed GCF investment framework and provided guidance to the Secretariat on defining the way forward. A decision on an investment framework (in conjunction with the financial risk management framework), which the Board is expected to take at its upcoming May Board meeting in Songdo, is considered part of the essential requirements the Board set for the initial resource mobilization efforts.

The progress report suggested several components of a GCF investment framework, namely (a) an **investment policy** setting out overall investment target goals and guiding principles; (b) an **investment strategy** which could detail portfolio targets and limits, including differentiated objectives for various "investment classes" based on country categorization, sector or industry, climate change objectives (mitigation/adaptation/readiness support) or financial class (revenue/non-revenue generating); and (c) specific **investment guidelines** elaborating the criteria which the Board would apply for the selection of activities (*see further details on criteria under the discussion on the approval process).*

For the GCF investment policy, the progress report proposed that the Investment Committee could recommend to the Board that all funding received and extended by the Fund should be accounted as grant-equivalent financing to provide the basis for comparison between grants and loans. It also suggested that the GCF could price its loans differently for low- and middle-income countries and between activities with different "return-on-risk" revenue generating profiles. The minimization of the additional cost financing just to the minimum required to achieve the desired output/outcome and a commitment to not "crowding out" other funding sources through underpricing as well as the setting of hurdle financial rates of return for different groups of revenue generating activities were other proposals. For the investment strategy with portfolio targets and limits, the progress report suggested to set investment targets for mitigation and adaptation in line with first-tier allocation decisions, such as the balanced allocation for mitigation and adaptation and possible caps or spending floors for country groups or single country limits (*see Bali decision on allocation in separate section of this paper).* The progress report further suggested a differentiation with possible funding levels set by recipient class (either public or private sector and public private partnership) or instrument (concessional loans or grants),with the latter meant to set an upper limit for grant financing in relation to the quality of financial inputs provided to avoid cross-subsidization and guard account financial risks. The GCF investment portfolio is to be managed by an annual portfolio review to be prepared by the Secretariat, which the Investment Committee is to review before presentation to the Board.

In the informal Board discussion, the progress reports on the investment framework and the risk management framework were taken up together. The Board member from Denmark sought clarification on whether the Investment Committee could take decisions on smaller allocation in between meetings in line with wording from the 4th Board meeting on establishing an Investment Committee, which had suggested that the Investment Committee could have some "final approval authority" for investments, although this was not reflected in the terms of reference for the Investment Committee approved in Paris. Instead, several documents for discussion in Bali (including the document on the structure of the Fund[16], delineating the responsibilities of the Board, the Co-Chairs, the Secretariat and the Executive Director respectively) suggested a possible delegation of some investment funding decisions to the Secretariat as part of the Governing Instrument's mandate for the Secretariat to "[o]perationalize the project and programme cycle processes"[17]. The Board member from India allowed that the investment framework should be differentiated between the PSF and public sector or public good funding reminding Board colleagues that the development of the investment and risk management frameworks was proposed as a way to address specific risks associated with private sector investments supported by the Fund. He also urged that the Board should first make decisions on the primacy and scale of grant-based public financing for the GCF and postpone a decision on specific investment criteria, which the Investment Committee that he chairs will address, once those larger framing questions are decided by the whole Board. In contrast, the active observer from the private sector recommended looking at both investment and risk management frameworks portfolio-wide, arguing that public sector loans will introduce an element of risk as well. For civil society, the Southern active observer expressed the concern that the investment framework as proposed was too focused on financial risk management and too little on how to implement actual policy decisions in furtherance of Fund objectives and goals, especially since a focus on profitability and revenue-generation in the investment framework could come at the detriment of GCF investments' contribution to sustainable development and multiple benefits.

Accreditation Framework, including Fiduciary Principles and Environmental and Social Safeguards – Progress Report

The Governing Instrument mandates the Board to "develop, manage and oversee an accreditation process for all implementing entities based on specific accreditation criteria that reflect the Fund's fiduciary principles and standards and environmental and social safeguards" (para. 49). The 5th Board meeting in Paris then decided that a guiding framework and procedures for the accreditation process of the Fund should be developed that would elaborate the Fund's own environmental and social safeguards and fiduciary principles and standards; set the criteria and application procedures for entities accredited to channel and implement Fund resources; look at possible governance approaches to execute the framework (for example the formation of an Independent Technical Advisory Function to conduct the accreditation); and draw lessons for this from an assessment of a long list of institutions already working with other funds. In Paris, the Board also agreed that a set of best-practice fiduciary principles and standards as well as environmental and social safeguards referenced in separate annexes to Board document GCF/05/23 should form the basis for developing the Fund's on standards and safeguards.

The work is to be overseen by a Board team to which the Board members from France, Sweden, Barbados and Zambia were nominated, with the Board member from Sweden acting as the Chair and the Board member from Zambia as the Vice-Chair. They will be aided by four international experts on accreditation proposed by the Executive Director, which were selected following a process to narrow down the initial pool of 117 applications to six individuals short-listed for interviews. A progress report shared in Bali, which details the selection process, is not clear which criteria were used to derive at the short-list of candidates nor on what grounds for example applicants from civil society, which were determined and submitted following a comprehensive self-selection process, were eliminated from consideration. The following four experts were appointed:

1. **Mr. Peter Richard Carter, United Kingdom** (with a background as head of sustainable development at the European Investment Bank, EIB)
2. **Mr. Gonzalo Castro de la Mata**, Peru (with a background as chair of Ecosystem Services in offset and REDD credit trading, and also recently appointed to the World Bank's Inspection Panel)
3. **Mr. Wolfgang Diernhofer**, Austria (with a background working as with an Austrian Consulting firm and managing his country's Joint Implementation/Clean Development Mechanism program)
4. **Ms. Isna Marifa**, Indonesia (with a background as a consultant for USAID, the Indonesian government, and Mobil Oil Indonesia)

The Board team had initial virtual meetings, with an in-person meeting in Bali, where Board members also consulted with international civil society representatives on the side lines of the meeting.

The progress report presented in Bali,[18] which was largely endorsed by the Board team on accreditation, proposed a set of guiding principles for the Fund's accreditation process, including ensuring that a) the Fund's standards and safeguards are "consistently **in line with international best practices and standards" and thus continuously updated**; b) **accountability, transparency, fairness and professionalism** is ensured in the accreditation process and across all operational procedures; c) **its** modalities ensure **reliability and credibility while retaining flexibility**; d) the accreditation process is dynamic and aims to **strike a balance between robustness and institutional capacity**, including by providing Fund support to enable implementers to increase their scope of activities with increased capacity; e) **readiness and effectiveness** are supported, including through the Fund's readiness and preparatory support measures.

It then elaborated a detailed set of fiduciary standards, differentiating between basic fiduciary standards that are to apply to all entities seeking accreditation with the Fund and specialized fiduciary standards that are to apply for a subset of entities, specifically intermediaries involved in financial structuring including through blending, on-lending and financial engineering of GCF resources to executing entities. These were drawn out based on international practices at the GEF, the Adaptation Fund and the European Union Development Cooperation (EU DEVCO). While the basic fiduciary standards focus predominantly on key administrative and financial capabilities (such as financial management and accounting, auditing and procurement) and key determinants of transparency and accountability (such as the existence of a code of ethics, an investigation function or disclosure of conflicts of interests), specialized fiduciary standards require additional capabilities for project/program management (such as proposal preparation and appraisal, project implementation and oversight and monitoring and evaluation systems), to run grant award mechanisms (for example transparent allocation of financial resources and public access to information on beneficiaries and results) or for financial structuring (specifically financial risk management such as asset liability management).

In contrast to the very detailed elaboration (in a nine-page annex to the progress report) of the initial fiduciary standards proposed for the Fund, the proposed initial environmental and social safeguards for the GCF in the progress report were less detailed and more based on principles, among them compliance with the law; respect for human rights and gender equity and women's empowerment; protection of natural habitats; or pollution prevention and resource efficiency. This followed the approach that the Adaptation Fund with its recently adopted environmental and social policy has taken. The report suggested that this approach, at least initially was preferable to the detailed environmental and social performance standards which the IFC, the private sector arm of the World Bank had set, although not ruling out that the IFC performance standards could be looked at in full in the future. The progress report did present a broad comparison of existing environmental and social safeguards or less stringent practices for environmental and social impact assessments for the GEF, the Adaptation Fund, the World Bank and the IFC as the basis for the delineation of Fund's own set of minimum environmental and social safeguards. The progress report also suggested that at the program/project-level GCF environmental and social safeguards could be applied on a scaled risk-based approach which would categorize funding proposals on the basis of their risk for imposing potential environmental and social harm, as for example currently most multilateral development banks do. Such a categorization could be proposed in an update to the progress report for the May Board meeting.

For the accreditation framework as a whole, the progress report identified important next steps, including addressing the question how entities already accredited with other relevant funds and institutions would be considered for GCF accreditation, a more detailed elaboration of specialized fiduciary standards and provisions for a review of the Fund's accreditation process in line with experiences gained.

Reporting to the full Board on the work of the Board team on accreditation, its Swedish chair reiterated that their suggestion was to start out with a minimum level of accreditation requirements for environmental and social safeguards based on both the Adaptation Fund and IFC experiences, while stressing that the full set of IFC performance standards would probably pose an "impossible conditionality for poorer countries". In first responses, developed country Board members from the United States, Switzerland and Japan stressed how important accreditation standards and safeguards will be for their governments with the Board member from the United States indicating that the IFC performance standards should be the Fund's model and urging a consultation process for environmental and social safeguards determination. Board members from France, Japan and Australia supported the idea of a dynamic accreditation with differentiation by accredited entity and/or activity and function (such as financial structuring), with more detail and higher requirements for higher risk or more complex projects and activities. The Board member from Australia found the proposed basic fiduciary standards to be too basic (saying "my local fish-and-chips-shop would qualify…"), while the Japanese representative urged to have more detailed specialized fiduciary standards for financial structuring. The Board member from Georgia missed the principle of protection of cultural heritage in the proposed initial list of environmental and social safeguards and asked also for a clear principle on overriding authority in cases of inconsistencies of different involved parties. He also stressed the need for additional training for entities to do impact assessments and environmental auditing, while his colleague from Poland urged a clear focus of the Fund's environmental safeguards on the environmental integrity of GCF projects and programs. Lastly, the notion of an exclusion list for Fund activities, namely certain projects that would be a no-go from the outset, was brought up in the discussion by the US Board member.

For the active observers, the Southern civil society representative stressed the key importance of this issue for international civil society groups engaged in the GCF operationalization process and representing and channeling the fears and experiences of communities on the ground, including with international financial institutions and worried about a repetition of their shortcomings in the GCF context (for a summary of Southern civil society key suggestions and concern, find in Annex III a letter sent in October 2013 to GCF Board members and alternates, which was signed by more than 140 Southern civil society groups and networks and endorsed by more than 60 Northern groups and networks). She urged the development of robust environmental and social safeguard policies based on a do-no-harm approach and in compliance with international law, not just elaboration of weaker principles, and rejected the argument that the IFC performance standards provide international best practice, calling them "aspirational" only and with serious implementation deficits as for example highlighted in independent auditing by the IFC Compliance Advisor Ombudsman (CAO) of IFC interaction with its financial intermediaries.[19] Here she drew a distinction between the policies and standards "on the book" and the reality of implementation and stressed the importance of enhancing particularly national implementing entities capabilities through GCF capacity support. Focusing on some of the concrete language proposed in the progress report, she expressed concern with the use of ambiguous language such as reference to "disproportionate" or "unjustified" impacts as weakening the intent and purpose of environmental and social safeguards. She also expressed support for the notion of an exclusion list for certain types or categorizations of projects for the GCF, such as for example those funding continued use of fossil fuels.

Financial Terms and Conditions of Grants and Concessional Loans

The Fund's financial instruments are an important part of the its Business Model Framework (BMF), although the determination of the terms and conditions of these financial instruments is not one of the essential requirements for initial resource mobilization efforts.

At its last meeting in Paris meeting the Board only considered the terms and criteria of grants and concessional lending the Fund would deploy initially through accredited intermediaries and implementing entities. The Board then agreed to a set of nine guiding principles for public and private sector operations to be used in the initial operationalization of the Fund.[20] The guiding principles and how they will be applied during project or program appraisal were elaborated in more detail in the paper for Board consideration and decision in Bali.[21] Among them are that

- grants elements should be tailored to incremental costs or the risk premium required to make investments viable implying the determination of a minimum grant element necessary during project appraisal and but not addressing the possibility of full-cost grant financing of adaptation projects as currently possible for example under the Adaptation Fund.. This would seem to be falling short of the Governing Instrument's mandate for the Fund to finance "agreed full and agreed incremental costs for activities" (para. 35);
- the right level of concessionality needs to be sought in order to avoid displacing investment that would have otherwise occurred (which could be determined via blending of different financial products, including from outside the Fund); the GCF has yet to develop a methodology to calculate the appropriate concessionality of GCF funding;
- recipient countries' level of indebtedness and their debt sustainability needs to be considered (for example by establishing targets based on official development assistance practice or by providing grants only for public activities and the public part of public-private partnerships to those 39 countries – a majority of them African states – that have qualified or are currently eligible for assistance under the Highly Indebted Poor Countries, HIPC, initiative[22] spearheaded by the IMF and World Bank);
- financial instruments' structure terms have to be case-specific (to be determined based on barriers assessed during project appraisal); and
- engagement has to be such that the crowding out of commercial financing can be avoided while leveraging of other financing, including maximizing of private sector leveraged financing, is pursued (through assessment of the required concessionality and by minimizing the Fund's grant element needed for the project/program viability).

In Bali, the Board was asked to approve specific financial terms and conditions for grants and concessional loans which the GCF is to use initially, including via its Private Sector Facility (without the determination when this initial phase will end). For grants to be made in either international currencies or the local currency, no maturity, interest rate or service fee is applicable, at least not initially. The paper left open the option for the Fund to consider other grant-types in the future, for example performance-based grants or "grants with repayment obligations", referencing the example of a revolving grant facility. Drawing on the comparative experience of only World Bank-related institutions with concessional market-based loans (the practices of the Clean Technology Fund, the International Development Association and the International Finance Corporation were elaborated), for concessional loans two types (deeply concessional and moderately concessional) were proposed, which could be made in international currencies or a local currency. For both, a service fee of 0.75% would be charged "to cover the Fund's mobilization costs" (which would be significantly higher than the CTF's current service charge of 0.25%). Deeply concessional loans would charge no interest, have a maturity of 15 - 40 years and a grace period of 5 -10 years (comparable to terms of IDA loans). Moderately concessional loans would charge interest based on the benchmark rate of lending currencies (such as US Treasury bond rate), have a maturity of 8 – 15 years with a grace period of 2 -4 years. The paper suggested that the GCF could establish more general criteria for concessional terms depending on the classification of countries, the type of project or specific sector as part of its investment framework.

All three instruments can be used separately or be blended, with implementing entities and intermediaries playing an important role in initial appraisal of financing needs and suggested instruments – and with the ability, for example, to blend with their own financing. The draft paper suggests that the Fund will assess the expertise and capacity of intermediaries and implementing entities to financially appraise projects and programs as part of their accreditation. It does however not address whether the Fund will also look at the same entities' capacities to secure non-climate co-benefits as results of the financing approach or verify the alignment of stakeholders interests' with the proposal to ensure the project's viability of implementation (as part of the basic criteria and indicative parameters the Board agreed to in Paris). The draft decision paper for Bali showcases the example of how a minority financial stake from the GCF (i.e. less than 50% of the total project finance amount in grant and/or concessional loan contribution) could be blended with financing by an intermediary such as a bank to render a private sector project financially viable, including through increasing the projects internal rate of return above a hurdle rate or minimum acceptable rate of return for other investors. It will be critical as part of the overall risk management approach of the Fund, including in addressing reputational risk and risks to the long-term political support by in-country stakeholders for the Fund, to give very specific guidance to intermediaries and implementing entities on how in such projects, which blend GCF funding with other financing, the application of GCF social and environmental safeguards can be secured.

In the discussion in Bali, developing country Board members from India, China and the DRC urged for the bulk of Fund resources to be channeled via grants, including for all public expenditure on adaptation, with the Indian Board member suggesting for example that in the first five years of the Fund's operation no more than 20% of its funding should go to loans. They rejected for the highly concessional loans any terms worse than those currently offered for the loans of the World Bank's Clean Technology Fund (CTF) and judged the proposed terms of moderately concessional loans as too close to commercial lending. For the Egyptian Board member such almost commercial bank provisions could also impede developing countries' future enhanced direct access to GCF resources. The Chinese Board member specifically opposed any differentiation of loan conditions for different groups of developing countries, arguing that the GCF should help all developing countries and that in fact longer maturity and grace periods were needed to support implementation of actions to address climate change, which has by definition a longer time-line. The representative of the DRC recommended that the terms of conditions of blended loans (of GCF and non-GCF, including commercial funding) should not lead to higher rates than the GCF rates, with the Southern civil society active observer urging for a decision on financial instruments to reflect that GCF concessional lending should not increase the indebtedness of recipient countries. In contrast, developed country board members thought the Secretariat's paper was not going far enough in detailing how GCF money could be blended with non-concessional loans. The Board members from France and the US recommended the development of transparent guidelines for a developing country classification system that would allow for differentiation of loan terms by country category. The French and German Board members were also looking for more information on the risks of providing loans in local currencies and urged a close cooperation with the risk management and investments committees in moving forward.

In its decision (B.06/12), the Board requested the Secretariat to submit a revised version of the paper at the 7th Board meeting in May, which takes into account ongoing work on the financial risk management and investment frameworks.

Initial Proposal Approval Process, Including the Criteria for Program and Project Funding – Progress Report

In contrast to other operational modalities, the Governing Instrument does not elaborate on the programming and approval process of the Fund other than to state in para. 53 that it should be a "streamlined programming and approval process to enable timely disbursement," with the Board to develop simplified processes for certain activities, in particular small-scale activities. The 5th Board meeting in Paris in October 2013 then confirmed that an initial approval process, including elaborating criteria for program and project funding, was one of the eight requirements essential for the Fund to receive, manage, program and disburse financial resources and thus should be set before initial resource mobilization efforts.

At the Bali Board meeting, Board members were asked to only provide feedback on a progress report by the Secretariat, which described a possible GCF funding cycle and its various key steps, actors and responsibilities and tasks. The decision, based on a reworked paper, is then scheduled for the May Board meeting in Songdo.

The progress report proposed a funding cycle with 23 distinct steps from the concept stage over the preparation and appraisal of proposals, to a decision to proceed resulting in implementation of outcomes and monitoring of performance to completion in the Fund's books.[23] In the **concept development phase**, an accredited implementing entity (IE) or intermediary would propose a concept for a project or program (with a program being understand as a portfolio of multiple projects coordinated as one unit with joint overarching outcomes and benefits) for endorsement by the Board, either directly or under delegated authority, for example by the Secretariat. The **preparation and appraisal phase** would involve the preparation of feasibility studies, as well as environmental, social and gender assessments by those scheduled to execute the program or project with the IEs and intermediaries reviewing due diligence and submitting documentation to the Secretariat. The Secretariat could be aided by a technical advisory panel, yet to be created, in assessing the proposal's transformational impact. Either the Board or the Secretariat (if the Board decides to delegate decision-making power) would then take the **decision to proceed** which could be conditional pending required modifications to address shortcomings. In the **implementation phase**, the IE or intermediary would receive GCF funding against the criteria of a grant or loan agreement. IEs and intermediaries would have separate funding or service agreements with executing entities (EEs) doing the actual implementation work. In the proposed **commissioning/launch phase,** IEs and intermediaries report both on the activity's impact and its financial/economic performance, with the **impact period** through which monitoring and evaluation is to continue, varying according to the type of supported activity and ending with the servicing of loan debts prior to the **closing** of the activity.

The progress report went into some detail into proposing categories of decision criteria for the approval of projects and programs which will have to be set by the Board at the recommendation of the Investment Committee. These categories need to be aligned with the GCF's results management framework to ensure that only activities are approved that contribute to the Fund's overarching objectives as measured by core Fund-wide indicators and elaborated further, activity-specific in additional program and project indicators. The categories as proposed for Bali were the 1) impact/result potential of the activity; 2) its transformational potential; 3) needs of beneficiary (country or private sector entity); 4) institutional capacity to implement; 5) economic efficiency (as benefit-cost balance) of activity; and 6) financial viability of revenue generating activities. .

In the discussion, several Board members felt that the role of the recipient country and the principle of country ownership as the guiding principle for all funding activities of the GCF was too diluted in the proposed funding cycle and approval process. The Board member from South Africa criticized that National Designated Authorities (NDAs) which are to be the gatekeepers for the recipient country's interaction with the GCF, were only referenced as being copied by the IE or intermediary when submitting a proposal to the GCF Secretariat for Board consideration. The Board members from Denmark, Zambia, Germany, France, Ecuador, the UK and Barbados agreed, with several members (from Zambia, the UK, France) asking specifically for a strong reflection in the approval process of an alignment of the project or program with national priorities and the representatives from Barbados and South Africa stressing that for this very purpose the no-objection procedure needs to be integrated as an important step in the project/program cycle. The Board members from Denmark, France, Norway and the UK were suggesting that the proposed approval cycle was to project-focused and wanted the priority of programmatic and country-wide approaches better reflected in the document.

Several Board members spoke to the need to establish better approval criteria for determining the catalytic and transformational impact of activities. While the Board member from Germany wanted to see an enabling environment of policies and regulations as well as the potential to leverage additional funding reflected, especially from the private sector (as for example the UK-German NAMA Facility does in its approval criteria), the Board members from Ecuador and South Africa stressed that the transformational impact of activities needed to be measured by other than just GHG emissions and should include additional (co-)benefits so as to be reflective of the broader development context of the country. Decision criteria for approval of investment proposals by the Fund that focus narrowly on only the economic efficiency of emissions reductions, but take not into account the sustainable development context and the gender-sensitive approach in which GCF funding is to take place as required in para.3 of the Governing Instrument will fall short of supporting the desired paradigm shift.

How to eliminate subjectivity in applying approval criteria on a case-by-case basis, for example through the consideration of a weighing and scaling of different categories was a concern of the Saudi-Arabian Board member, who also reminded colleagues that GCF interventions might be cyclical and not one-time off (for example erosion of coastal areas) and thus the recurring maintenance and upkeep should be included in criteria. In the same line of thought, the Board members from Egypt and India encouraged the development of a metric that categorizes incremental costs as a basis for common criteria of approval.

Board members from US, Norway and Denmark expressed some irritation with a paragraph in the progress report (para. 32) which suggested that “approval-worthy” proposals would likely not exceed the financing available. While the American and Norwegian representatives worried particularly about the competitive nature of funding proposals and warned against lowering approval criteria thresholds in cases of too few activities chases too much money, the Danish representative hoped that the GCF could build the capacity of institutions in recipient countries so that would not prove to be a concern. While the Board members from Barbados and the UK encouraged a further discussion about the right level of delegation of funding approval decision-making from the Board to the Secretariat to ensure that the process is fast and streamlined, with Barbados suggesting to add a suggested time-line with time-limits to the approval cycle, the Board member from Saudi-Arabia maintained that at this point decision-making should remain fully with the Board.

For the active observers, the Northern representative of the private sector wanted to flag what he saw as an approach very much focused on implementing entities, which would give little opportunity to domestic private sector actors in developing countries to come in at the concept stage. For civil society, their Northern active observer agreed with the numerous Board members who found the principle of country ownership missing throughout the proposed approval cycle with strengthening the role of NDAs in the project preparation and evaluation phase and in anchoring the no-objection procedure. Lastly, he urged to remedy a glaring omission in the redrafting of the paper for decision at Songdo by integrating formal steps into the project/program cycle in line with the clear mandate of the Governing Instrument of para. 71 to “promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund” and international best practice of requiring the free, prior, and informed consent (FPIC) of those affected.

Initial Allocation of Fund Resources

The Governing Instruments gives Board members critical guidance for the development of an allocation approach, including that the Board will have to balance the allocation of resources between mitigation and adaptation activities under the Fund (para.50); that a results-based approach will be an important criterion for allocating resources (para.51); and that in allocating resources the Board will have to take into account the urgent and immediate of developing countries that are particularly vulnerable to climate change, including LDCs, SIDS and African states, with the Board using minimum allocation floors as appropriate and aiming for geographical balance (para.52). Other relevant provisions of the Governing Instrument also have implications for a GCF allocation framework, including the reference to thematic funding windows (para.37), the Private Sector Facility (para.41) and the Fund's country-driven approach (para.42) as well a reference to timely disbursement via streamlined programming and approval processes (para.53).

The Fund's resource allocation system is an important part of the Fund's BMF; it is also one of the essential requirements decided at the Paris Board meeting for initial resource mobilization efforts. The Paris decision[24] outlines already the major tiers of the proposed allocation system by suggesting using *themes* (mitigation and adaptation) and *activities* (how well they contribute to a paradigm shift in adaptation and mitigation) to guide the Fund's allocation decisions, and by making special allowances for designating a certain share of Fund resources for activities funded through the Private Sector Facility and for adaptation funding in the most vulnerable countries, particularly Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African states.

The Bali paper on initial allocation policies and procedures[25] was discussed by Board members intensely as part of a decision process on allocation drawn out over two days that saw several iterations of new draft decisions before approval. It recommended a two-tier allocation system based on mitigation and adaptation as themes and the private sector facility as modality under the first-tier. A second, activities-focused tier would have proposals from both the public and private sector compete under investment criteria to be recommended by the Board's Investment Committee and decided by the full Board (whereby it is unclear if public sector proposals will have to compete directly with private sector ones, for instance). It proposed to keep the initial allocation system under review and implied that significant periodic adjustments would be considered by the Board, for example based on a yearly report of the Secretariat to the Board on outcomes of actions versus commitment targets and lessons learned. These could include proposals to "change the balance between the thematic allocation targets" of mitigation and adaptation. Contrary to a clear cut interpretation of "balance" as a 50/50 split initially – as demanded by many proponents in light of the current underfunding of adaptation efforts globally – the draft decision for Bali proposed "an overall target range of 30-50% between cumulative commitments for mitigation and cumulative commitments for adaptation," which would include resources channeled through the PSF. Thus, if it had been accepted, the GCF conceivably could have devoted as much as 70% of its funding for mitigation efforts and thereby continued the "second-best" status of adaptation. The draft decision also proposed that of the cumulative commitment for adaptation 10% would go to particularly vulnerable countries under an initial minimum allocation floor. To put that in perspective: of the 154 UNFCCC non-Annex I countries eligible for funding under the GCF, a full 116 developing countries fall in this category[†] and the majority of these have urgent and unfulfilled adaptation needs. The Bali paper suggested that the PSF start out with an initial start-up allocation of 20% (for funding private sector mitigation and adaptation investments), but indicated this target should be revised upward significantly in the medium term. Lastly, to insure geographic balance and address the concern Board members voiced in Paris that allocations could be overwhelmingly concentrated on just a few countries – the experience of the Clean Development Mechanism (CDM) – the draft decision suggested putting a ceiling of 5% as the limit of a single country's share of cumulative commitments by the GCF. This is to be calculated in grant-equivalent terms, thus allowing for example an emerging market economy such as India or South Africa to receive a much larger cumulative share of the Fund's loan resources. The single-country limit could eventually be replaced by country-based third tier of the GCF allocation system.

Not surprisingly – given the huge importance the Fund portfolio-wide distribution of funding has in signaling what kind of financing mechanism the GCF wants and if it can rectify some funding imbalances of the existing global climate finance architecture -- , the decision on policies and procedures for the initial allocation of the Fund resources came only after a lengthy and passionate discussion among Board members, in which 23 Board members or alternates intervened, many repeatedly, over the course of two days, and a smaller group of Board members (from the UK, Australia, China and Barbados) was tasked to work out a compromise decision. These discussions, and differences of opinions, centered around a number of broad lines, namely 1) whether specific first-tier allocation targets were even needed or if the Governing Instrument provided already enough guidance so that some flexibility should remain; 2) the definition of a balanced approach between mitigation and adaptation to be reflected in a 50:50 allocation in the Fund; 3) whether the allocation floor for vulnerable countries should be significantly higher than the

[†] There are 54 African states (among them 35 LDCs), 10 Asian LDCs and 52 SIDS as classified by the UN.

10% of adaptation funding proposed; 4) if and how much of a dedicated allocation should be going to the PSF; and 5) if there should be a single-country cap to support regional balance.

A smaller group of Board members (from Sweden, Egypt, Spain, Hungary, Japan and Norway) felt that a discussion on numerical targets for allocation was premature, especially in light of the fact that the amount of resources that would go into the Fund was not clear, and the Board member from Norway even suggesting that rigid targets could affect GCF capitalization negatively. Instead, the Board members from the US and Poland suggested to set no more than broad indicative ranges, not specific allocation goals. However, most Board members seemed to disagree, preferring to push for a decision on at least some clear allocation targets in Bali, also as a way of proving progress in the Fund's operationalization to a global audience.

In the discussion, it became clear very quickly that an impressive majority of Board members felt that the proposed 10% minimum floor of adaptation funding for vulnerable countries was not enough with the representatives from Zambia, Benin, India, Saudi Arabia, Barbados, the US, the Dominican Republic, France, the UK and Australia recommending to ring-fence a higher proportion for least developed countries (LDCs), small island developing states (SIDS) and African states. Board members from Zambia, the Dominican Republic, Benin and Barbados also urged to avoid putting their countries in a competitive bracket with countries with higher capacities, and focus allocation on needs and vulnerability, including with a consideration of an individual minimum country allocation similarly to but with a higher minimum than what is currently available under the Global Environment Facility (GEF). On the issue of competitive allocation, the Board members from France and South Africa agreed that it was a matter of fairness and equity to ensure that the poorest countries – those that have received the least under the current global financing system – should not have to compete against "those that have already enough," with the Board member from the US suggesting that "fair completion" could be sought within country groupings. The Board members from Ecuador and Egypt warned against reducing countries' assessment of vulnerability to specific country groups, but urged instead to look at particularly vulnerable situations that could affect all developing country parties to the UNFCCC which are eligible to receive GCF funding.

Developing country Board members disagreed openly amongst themselves whether there should be a single country cap on maximum Fund allocation of 5%, with representatives from vulnerable states fearing a repeat of the CDM (which benefitted mostly China, Brazil, India, South Korea, Mexico and South Africa at the expense of a large number of low-income countries) without such a cap and urging geographical balance. In contrast, the Board members from Brazil, India, Saudi-Arabia and China rejected a proposal to limit how much a single country could receive in GCF funding, pointing out that geographical balance could be assured without such a cap and that the focus of the GCF as a climate fund should be on addressing mitigation in a cost-effective, competitive way. The Board member from China specifically stated that pollution originating in China stems from its role as the "world's factory" with the emission liability related to consumption distributed around the world. Among the developed countries, the Board members from France and Germany explicitly supported a 5% single country cap, with the representative from the UK stressing that the intent was right and Board members from the Netherlands suggesting a more flexible approach by looking at a maximum amount of funding rather than a %age and allowing for the possibility of allocation for regional entities instead.

Board members were also divided on how much to allocate for a GCF Private Sector Facility. Several developed country Board members questioned the wisdom of providing a cap on PSF resources, with the Board members from the UK, Australia, and the US proposing that if there were to be a certain percentage goal for channeling adaptation and mitigation resources through the PSF the accurate number should be closer to 50% or half of the total GCF funding volume. Other Board members, including from France, the Netherlands and South Africa pointed out that 20% of GCF funding for the PSF would be enough, especially since provided in grant-equivalent terms this would mean a much higher overall volume.

For the active observers, the Northern private sector representative urged flexibility and the avoidance of caps, although supporting a minimum allocation floor for vulnerable countries and a significant minimum target of at least 20% of allocation for the PSF. The Northern civil society active observer in contrast suggested proposing a cap for the PSF, while eliminating any minimum allocation targets for now. He urged a significant higher minimum floor for vulnerable countries as well as a clear and unwavering commitment to a 50:50 allocation for mitigation and adaptation in the medium term.

Over the course of the last Board meeting day, a small drafting group composed of Board members from the UK, Australia, China and Barbados presented three more versions of an allocation draft decision to their Board colleagues for consideration. The first of these suggested only "to aim" for a 30% floor for adaptation funding of which 35% were to go to vulnerable countries (which would have meant roughly a tenth of overall GCF funding only) with no mention of a single country cap, but assurance of geographical balance and the promise of a "significant allocation for the PSF". The Board members from South Africa, Ecuador, Zambia, the DRC sharply rejected the proposed funding allocation for adaptation, suggesting it was not a deviation from business-as-usual funding approaches and threatening equity, with the Board members from Germany, France, Brazil and India agreeing that a 50:50 balance for mitigation and adaptation would have to be restored. A suggestion by the Board member from South Africa in re-introducing a single country cap of 5% with an exception for transformative impact did not find the support of his colleagues from China, Saudi-Arabia, Brazil and India.

The revised draft decision was returned for further efforts to the small group and emerged with the proposal to aim for a 50:50 balance between mitigation and adaptation "over time", including with the aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries and urging to manage access to resources with "a view to seeking geographical balance". The 2nd revision of the draft decision proposed also a "significant allocation" to the PSF and "that sufficient resources should be provided for readiness and preparatory support" and held out the option of revising the initial allocation parameters "no later than two years from the start of allocation of resources". While Board members acknowledged the hard work of the small group in moving closer to a compromise, African Board members, supported by the representative from France, wanted some more explicit language added on avoiding excessive concentration in any country or region and the possibility to address the issue of country caps in the future as part of the review process. This was rejected by the Board members from Brazil and India. After some more negotiation among the small group, Board members were asked to approve the second version of the revised draft decision with one small adjustment, namely stipulating that a review of the initial allocation parameters would include concentration risk. This last change was approved, although the representative of South Africa wanted to record in the meeting record the disappointment of the African constituency that the wording was not more forceful in ensuring that an excessive concentration of GCF resources in a few countries will be avoided.

Country Ownership

At its 3rd Board meeting in Berlin, the Board agreed that "a country driven approach is a core principle to build the business model of the Fund." The GCF Governing Instrument points to national designated authorities (NDAs), to be selected by recipient countries, as the structural "guarantor" of country ownership by ensuring consistency with national climate strategies and plans (para. 46). The Durban decision 3/CP.17 on the GCF also mandated the Board to elaborate a transparent no-objection-procedure to be conducted through NDAs that would allow countries to object to any public or private sector funding proposal inconsistent with recipient country priorities (para. 7). At the 4th Board meeting in Songdo, the decision on country-ownership[26] reaffirmed country-ownership and a country-driven approach as core principles of the Fund giving countries the option ("may") to designate an NDA or a country focal point, and stipulating that countries should have flexibility with respect to the location, structure, operation and governance of NDAs and focal points. Best practices for their establishment and composition were to be addressed at the Board's first meeting in 2014. In Songdo, the GCF Secretariat was also requested to prepare the call for developing countries to start the process of designating NDAs and focal points as early as possible and ideally before June 2014. At the 5th Board meeting in Paris in October 2013, the Board only considered a draft transparent no-objection procedure. There, the Board members from the US and Egypt indicated that they would not be in a position to support a decision and several Board members (including from Switzerland and Georgia) requested more information on the application and experience of no-objection procedures in other institutions. Thus, a revised paper on no-objection was to be presented to the Board for decision at its 6th meeting in Bali.

The country ownership discussion in Bali was led over two days. In an effort to address differences between Board members on the various specific sub-questions within the broader country ownership issue complex, which had come up during the discussion, the German Co-Chair tasked a Board team with members from Egypt, India, the United States and Switzerland to try to develop a common understanding. Reporting back from the efforts of the small Board team on the last day of the Board meeting, the representative from Egypt confirmed that they were progressing in a positive atmosphere although unable to conclude the work in Bali. He therefore suggested for the full Board to authorize the small group to continue working between Bali and the next Board meeting with the goal to present a solution and draft decision for approval at the May Board meeting. This authorization was given by the Board. The Bali deliberations for specific issue areas under the country ownership umbrella heading are reflected below.

No-objection Procedure

The Bali Board paper on country ownership compared some experience with active endorsement and no-objection procedures at other financial mechanisms, including the Adaptation Fund, the GEF, the Clean Development Mechanism and the IFC, concluding from the comparison that “a no objection is essential to legitimize the project or investment proposal in the context of national priorities, strategies and development plans.” The draft no-objection procedure it proposed for the Fund, while indicating the no-objection as a condition for approval of all funding proposals submitted to the GCF, then suggested a procedure in which a “time lapse of three weeks” after the communication of an IE or intermediary to an NDA or focal point would be understood as “tacit no-objection in the absence of a response”. A further notification to the NDA or focal point by the Secretariat “that the funding proposal will be regarded as not objected” unless communicated by either otherwise would add an additional two week grace period. The no-objection, either explicit or by time lapse, is then taken to imply not only that there are no objections to the project or program by the recipient country government to the funding approval, but also serve as a kind of certification that the proposal is in conformity with a country’s priorities and existing strategies and plans as well as with national laws and regulations. The proposed draft decision then further implied that there could be a differentiation between a no-objection procedure for public sector or private sector funding proposals, suggesting a prominent role for the PSAG in making such recommendations.

In the Board discussion, developing country Board members – as they had every time the no-objection procedure was discussed in prior Board meetings – strongly rejected the notion of a tacit no-objection simply by running out the clock. The Board members from China, Brazil, Zambia, Egypt, Dominican Republic and Ecuador stated that a written no-objection will be required, with several (the members from Brazil, Egypt and Dominican Republic) urging a time-line of at least 60 days, also in order to allow for stakeholder consultations as part of the active approval, a point also strongly underlined as a core requirement by the Northern active civil society observer in his intervention. For Zambia and Egypt, both Board members noted that the proposed process was losing the political context of the intent of the Durban decision to require a no-objection procedure to be developed for the GCF, which was a hard-fought compromise achieved after several days of tough negotiations and the key to getting the GCF’s Governing Instrument approved. Board members from Ecuador, Egypt, India and Zambia also spoke out against special provisions for a no-objection procedure for private sector proposals and a key role for the PSAG in developing such a differentiated approach, suggesting that it would pose a clear conflict of interest and arguing that with the clear placement of the PSF under the overall Fund decision-making process a no-objection procedure will need to be uniform. In contrast, some developed country Board members from the US, Denmark, Japan and France warned against reducing the issue of country ownership in the discussion to the no-objection procedure. Representatives from the US and Japan specifically warned of losing the opportunity for good private sector projects due to lengthy no-objection procedures and encouraged developing separate rules under PSAG engagement for affirming country ownership of private sector proposal. This view was shared by the Southern private sector active observer who warned that investors had a lot of places to go and that the suggested five week time-frame was sufficient. Lastly, the Board member from South Africa pointed out that discussion about the no-objection procedure were overly dominated by a project-focused approach, with the proposed procedure not elaborating sufficiently what this would mean in the case of programmatic (multi-project and policy level) approaches as well as in regional contexts and the Board member from Georgia arguing that if there was an objection within a regional project from one country, it should not be considered as a go ahead.

Best Practices for the Establishment and Composition of National Designated Authorities and Focal Points

Like for the no-objection procedure, the Bali Board paper on country ownership compared the practices in existing funds (specifically the Adaptation Fund, IFIs and the GEF) in establishing or designating a liaison as an authoritative interface between recipient countries and the Fund. Draft best practice guidelines by the Secretariat suggested that countries could start out with a focal point (usually an individual within a ministry or government agency) while striving to establish an appropriate NDA as the next step, placed "within a ministry with authority and overview of the country's national budget, economic policies and their interrelation with climate change-related priorities and development plans." Thus, the recommendation was implicitly for prioritizing the ministries of finance or planning or national treasury officials for the country's NDA or focal point, including at "the level of minister or equivalent" and with the authority to oversee proposed capacities of the NDA or focal point. These included the adequate knowledge of and the ability to contribute to and drive national strategies and plans; familiarity with the climate change efforts and needs of the country as well as with relevant institutions and stakeholders; but also the capacity to facilitate and coordinate country coordination mechanisms and multi-stakeholder engagement and to communicate with the GCF in English while disseminating in local languages key operational procedures of the Fund.

In the discussion in Bali, developing country Board members from Zambia, Georgia, South Africa, the Dominican Republic warned against making the guidelines too prescriptive in proposing which country ministry or entity should serve as NDA, underlining that developing countries and the authorities given to ministries are not homogenous and urged the need for flexibility in the designation of NDAs. This appeal was supported by the Board member from France who pleaded for giving NDAs an even greater role as proposed. However, as the representative from Egypt elaborated, some standard terms of reference for the establishment of NDAs should be agreed to by the Board. From civil society, the Northern active observer stated the understanding from civil society of country-ownership as a lasting relationship between the Fund and all country stakeholders, thereby necessitating an important role for the NDA in country-coordination and for time and resources for multi-stakeholder engagement, a role that could not be fulfilled by a single individual and which he felt was not sufficiently spelled out in the proposed guidelines. Lastly, for the SIDS, the Board member from Barbados worried about an unclear time-line for support of NDAs under readiness and preparatory support activities as well as with respect to the process for submitting NDAs, with Executive Director Hela Cheikhrouhou clarifying that the Secretariat was only waiting for some indications for what was expected from NDAs before information letters were to be sent to developing country governments right after the Bali meeting.

Best-practice Options for Country Coordination &Multi-Stakeholder Engagement

The Board paper for Bali suggested some options for country coordination and multi-stakeholder engagement, focusing on two intervention levels, namely 1) the development of a country strategic framework based on existing or still to be elaborated national climate change plans and strategies (such as NAMAs, NAPs, or NAPAs) and 2) the development of concrete funding proposals. Drawing on the experience of the Adaptation Fund, the GEF and the CIFs, the draft proposal rather vaguely allowed that countries "could be encouraged to design a consultative process" with criteria and options which "may include" the possibility, for example, of a dedicated country coordination mechanism. For effective preparation and ongoing monitoring and evaluation of funding proposals after approval, the paper promised that voluntary guidelines to assist countries (but not mandatory in nature) would be elaborated as part of the Fund's environmental and social safeguards looking at key concept and principles for multi-stakeholder engagement such as stakeholder grievance management, documentation and reporting to stakeholder, stakeholder involvement in project or program monitoring and integrating these and other aspects in the Fund's project and program cycle and its safeguard procedures.

In the discussion the Board members from Brazil and France both stressed the importance of stakeholder consultations with the French representative arguing forcefully for more prescriptive minimum standard for stakeholder engagement to starting early in the process and complaining that the "may" language provision in the draft guidelines and decision was too light. For the active observers, both the representatives from the private sector and from civil society felt that minimum requirements were not met with the proposed text, declaring that NDAs should be proactively engaging with a broad range of diverse stakeholder, including women, indigenous peoples and the local private sector. The Northern civil society representative added that such engagement needs to occur already at the inception stage of planned activities and in elaborating country strategic frameworks, in order to solicit the free, prior and informed consent of those affected and allow for their participation in the design, implementation and monitoring and evaluation of activities.

Additional Modalities that Further Enhance Direct Access

The Governing Instrument in para.42 stipulates that the Board "will consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes" as part of the Fund's mandate to provide direct access to countries through accredited implementing entities. At its 3rd Board meeting in Berlin, the Board had decided that the Fund will operate initially through "accredited national, regional and international intermediaries and implementing entities" using grants and concessional lending only. At its 4th Board meeting in Songdo, the Board decided to start determining the access modalities, including accreditation procedures, for these implementing entities and intermediaries and recommended that additional modalities that further enhance direct access should be discussed at its first 2014 Board meeting. At its 5th Board meeting in Paris, the Board then put a small four-member Board team (with representatives from France, Sweden, Barbados and Zambia) in charge of overseeing the accreditation framework for the Fund and also the work on further enhancing direct access.

In the past, Board members had disagreed about how much devolution of funding decision-making to the national level was implied by the wording in the Governing Instrument. Many developing country Board members interpreted the language as a clear endorsement of entrusting both the decision-making and management functions for large amounts of GCF resources to national implementing bodies, such as national climate change trust funds (of which dozens already exist in developing countries), while many developed country Board members were reluctant to agree to such a far-reaching interpretation.

For the Board meeting in Bali, the Secretariat had prepared a paper for consideration and decision by the Board[27], in which Board members were primarily asked to endorse "proposed operational understandings" (i.e. definitions) of what implementing entities and intermediaries mean and what functions they are expected to perform. The paper presented essentially a hierarchy of entities accredited to the Fund with implementing entities (IEs) forming the broad base understood as either a public or private legal entity able to submit funding proposals to the GCF and expected to manage approved projects or programs from preparation to conclusion but only for grant financing from the Fund. Intermediaries, either public or private, are then seen as the next step up as they are accredited with additional specialized capacities to intermediate grants and/or concessional loans from the GCF, meaning passing them on to executing entities (EEs) in the form of various financial products and through diverse financial mechanism, including on-lending or grant award mechanisms; financial blending or structuring, including for guarantees; insurance mechanisms; or origination of financial structure products (which could include derivatives, indices, options or debt-issuance). The capacity of an intermediary to employ a wide range of financial instruments would not be hampered by the Board's decision to initially offer only grants and concessional loans. Nor would it be impossible for an intermediary to receive GCF grant finance and structure it into guarantees, equity investments, derivatives or bonds. In contrast to implementing entities, the intermediary would be able to submit funding proposals for programs for which it retains the devolved decision-making authority over individual funding decisions for projects or activities within the approved program. Lastly, as a sub-category of intermediaries, the paper proposed public funding entities which could use national financial systems and budgets for the implementation of a policy intervention program, with GCF funding being essentially provided in the form of budget support. A funding entity would then most likely be a ministry of finance or national treasury, which would have to be accredited with the Fund.

In Bali, the Board member from Sweden reported on the activities of the Board's accreditation team, including some first virtual meetings the group had held, and urged Board members to look at accreditation procedures and modalities for enhancing direct access together. He asked for Board guidance, especially also with respect to clarifying definitions.

Reacting to the Secretariat paper and draft decision, several Board members from India, the United States, the Netherlands and Japan welcomed the document as a good start but asked to make it more operational by focusing more on the "how" and the "what" of the enhancing and by drawing out more clearly what cannot be achieved through standard direct access modalities, for example in support of programmatic or policy-reforming approaches. The American and Swiss Board members felt that segregating public and private intermediaries added an unnecessary complication. Both also urged to focus on direct access initially only and address enhancing direct access with GCF funding experience gained. Especially any move toward budget-support was "too far too quickly for a young Fund" in the view of the US Board member, who also suggested that support for this "will be hard to obtain from the donor side." For the private sector, the Southern active observer noted the importance for intermediaries to intermediate across a broad range of instruments. She suggested that implementing entities, too, should be able to receive and manage concessional loans from the GCF, even if they are not further intermediating it. The Southern active civil society observer sought the definition of intermediaries to be too broad and urged a limitation of the financial instruments they can use to intermediate GCF funding. She criticized the missing reference to country ownership and the role of National Designated Authorities (NDAs), particularly in proposing programmatic approaches with broader democratic ownership.

The Board was unable to agree on the draft decision and the proposed operational understanding for intermediaries and implementing entities and decided to defer the decision on modalities that further enhance direct access to the May Board meeting.

Work Program on Readiness and Preparatory Support

The Governing Instrument in para. 40 makes readiness and preparatory activities and technical assistance, for example for low-emission development strategies and plans (including NAPAs, NAMAs and NAPs) and for in-country institutional strengthening (including for dealing with standards and safeguards for direct access), an explicit mandate of the GCF. GCF readiness and preparatory support is most critical for least developed and small island developing countries, which have been severely under-funded by existing climate finance instruments and often lack the capacity to access funds and implement programs, both directly and in cooperation with international implementing agencies. Developing country Board members from these country groups over the course of the last few Board meetings repeatedly advocated for readiness and preparatory support that is flexible and responsive to country needs and circumstances (and for example supports country needs assessments), that is sustained and iterative and not a one-off activity, and that is provided independent of progress on the BMF with fast-tracking of activities identified as "no-regret options."

At its 3rd meeting in Berlin in March 2013, the Board decided[28] to initiate a GCF readiness phase by identifying short-term initiatives to support readiness and preparatory support, asking the Secretariat to act as a kind of coordinating mechanism and clearinghouse on readiness support needs and gaps and to engage with existing initiatives and programs to ensure coherence. At the 4th Board meeting in Songdo, BMF decisions on country ownership, access modalities, and results management included cross-references to readiness and preparatory support. The decision on readiness and preparatory support from the 5th Board meeting in Paris reaffirms readiness and preparatory support as a strategic priority of the Fund to enhance country ownership and access for countries in the early stages of Fund operationalization, which is to be provided to all eligible countries and with the scope of supported activities evolving over time in accordance with countries' specific circumstances. Specifically, the GCF is to provide support for the preparation of country programs for low-emission, climate resilient development; to strengthen in-country, Fund-related institutional capacities (such as for NDAs or focal points); and to enable implementers and intermediaries to meet the Fund's fiduciary standards and environmental and social safeguards for direct access. The Secretariat was tasked to present a detailed work program on how readiness and preparatory support through the GCF can be provided and a possible allocation approach for readiness and preparatory finance support at the first Board meeting in 2014.

The paper and draft decision[29] that the Secretariat presented to the Board in Bali for consideration attempted exactly that. It identifies four sets of priority activities, namely 1) support for the establishment of national designated authorities (NDAs) or focal points, for example via multi-stakeholder consultations to identify the appropriate entity; 2) help with developing an initial strategic framework for guiding a country's funding priorities for the GCF, based on existing or still to be elaborated national plans for mitigation and adaptation, including by supporting the development of coordination mechanisms or multi-stakeholder engagement for their elaboration; 3) the selection of intermediaries and/or implementing entities, with the call for each recipient country in the program to select at least one suitable IE or intermediary and then help in building its capacity to interact with the GCF; and lastly, 4) the development of an initial proposals pipeline in consultation with NDAs and focal points. Readiness support is supposed to be delivered mainly as locally sourced technical assistance as a way to strengthen countries' institutions and capacity. The draft work program assumes the initial readiness funding to be around US$ 30 million, based on commitments made particularly by Germany and South Korea to provide funding to the GCF Secretariat for this purpose, and proposes to reserve up to half of that funding for the development of project and program pipelines, with a quarter going to activities under the categories 1-3 above, which are to be identified by scoping mission upon invitation by countries, for which the remaining quarter of proposed funding is budgeted.

In the discussion, Board members were appreciative of the financial support for the work program provided by Germany and South Korea (with South Korea promising to contribute US$10 million and Germany having already contributed the remaining sum to the GCF Trust Fund), but stated that the draft work program needed revision and fine-tuning. Several Board members (from Zambia, Egypt, Germany, China, Spain, Barbados, Norway and France) suggested that the work of the GCF Secretariat needs to take into account and build on that of ongoing readiness activities, for example by targeting areas that are not funded elsewhere. The Board members from Sweden, Germany and Japan specifically asked the Secretariat to map existing activities and to act as a clearinghouse in linking up countries and initiatives, supplementing as needed and thereby supporting South-South collaboration. The Board member from Egypt felt that the Secretariat, still understaffed, was ill-equipped to deal itself with the readiness program and should instead work closely with international agencies already engaged in the work, with the German Board member supporting for the GCF Secretariat to enter into formal partnerships with such agencies. The Board member from Spain encouraged the exploration of synergies with the Adaptation Fund's readiness work specifically on accreditation of national implementing entities (NIEs). The support for and integration of capacity building and technical assistance into all GCF project and program proposals as ongoing priorities without the time limitations of a specified readiness phase, was a commitment that the Swedish Board member felt was important to frame the work on readiness and preparatory support. The developing country Board member from the DRC stated that the suggested allocation of 50% of funding for project pipeline development support, an issue that had not even come up in the Paris discussions, was excessive, a point that was also made by the Northern active civil society observer. The Board members from DRC and Barbados also proposed that readiness provided for the private sector should focus primarily on getting micro-, small- and medium-sized domestic enterprises (MSMEs) ready to implement GCF funding in a gender-responsive way, but without the PSAG taking an active role to avoid a possible conflict of interest, a view also expressed by the civil society representative. In contrast, the Southern private sector active observer thought that the PSAG could be helpful, including with the urgent priority of developing project and program pipelines. The Board members from the United States and Japan specifically were worried that reliance on local service providers, as suggested in the draft work program by the Secretariat, should not set a precedent for GCF procurement, with the US Board member clarifying that expenditures under the GCF Trust Fund should be under open procurement rules in accordance with international standards.

In order to adjust the program along the lines of Board member suggestions, the Philippine Co-Chair tasked the Board members from Barbados and Egypt to consult with colleagues to redraft the proposed decision text. The revised decision text and document was then discussed in plenary and accepted after the Board member from the United States was re-assured that with respect to local procurement the Fund's administrative policies in line with the ADB practices would apply. A proposal by the Board member from France to authorize US$ 1 million for the Secretariat to do more detailed work on an updated work program was included. The Bali decision confirms the four focus areas for GCF readiness and preparatory support and requests the Secretariat to elaborate a revised work program for the May Board meeting that will include a delivery plan of concrete readiness activities that countries indicate to the GCF Secretariat as their priorities including timeline and implementation modalities and exploring options for collaboration with existing readiness initiatives. The Secretariat is also tasked to set up and maintain an information-sharing platform to facilitate dialogue and South-South learning by seeking complementarity and coherence with existing initiatives. The delivery of readiness support by the Fund will be reviewed in light of finalized accreditation and allocation procedures for the Fund. The Executive Director is to report back to the Board twice a year on activities undertaken and readiness funding committed and disbursed.

Terms of Reference for the Fund's Independent Evaluation Unit, the Independent Integrity Unit and the Independent Redress Mechanism

The GCF's Governing Instrument mandates the establishment of an operationally independent evaluation unit (IEU), whose reports are to be provided to the COP for periodic reviews of the financial mechanism of the Convention, of which the GCF is an operating entity (paras. 60 and 61). The Governing Instrument also foresees the establishment of an independent integrity unit (IIU) to investigate allegations of fraud and corruption (para. 68) as well as of an independent redress mechanism (IRM) to receive complaints related to the operation of the Fund (para. 69). These accountability units are to be independent of the Secretariat, with respective heads that are to be appointed by and to report to the Board.

Both the IEU and the IRM have also assigned functions as part of the arrangements between the GCF and the COP of the UNFCCC. Draft arrangements that the 5th Board meeting approved in Paris in decision B.05/16 were subsequently agreed to by the COP at its 19th session with decision 5/CP.19.[30] They confirm the inclusion of IEU reports in the reports of the GCF to the COP (para. 20). They also describe a role of the IRM in the reconsideration of GCF funding decisions (para. 8) and stipulate that any recommendations of the IRM and any actions taken by the GCF Board in response to these recommendations are to be included in the annual report of the GCF to the COP (para. 9) and that further modalities for the reconsiderations of funding decisions would be developed once the IRM is operational (para.10).

The 5th Board meeting in Paris in its decision on resource mobilization stipulated the approval of terms of reference of the Fund's accountability mechanisms – the IEU, IIU and IRM – as essential requirements to start the capitalization process for the Fund. In Paris, the Board had set up the Ethics and Audit Committee as a standing Board committee and approved its terms of reference, giving it the task to provide recommendations for the establishment of the IIU and the IRM. Decision B.05/13 appointed the Board representatives from Egypt, Spain, Poland, the US, Saudi Arabia and South Korea to the Ethics and Audit Committee.

For Bali, the Secretariat had submitted a report with draft terms of reference (TOR) for all three accountability mechanisms for the Fund. [31] However, prior to the Board meeting the Ethics and Audit Committee had not had the opportunity to deliberate proposed TORs for the integrity unit and the redress mechanism. Reporting to the full Board on the first day of the Board meeting, the Board member from Poland in his capacity as chair of the Ethics and Audit Committee, with the representative from South Korea acting as vice-chair, indicated that the committee would need more time to finalize its recommendation on the IRM specifically.

Unfortunately, during the Bali Board meeting, there was little opportunity to discuss the TORs in detail, despite the importance of the mechanisms for the legitimacy and public accountability of the GCF. In short initial comments, several developing country Board members, including from India, China and Egypt, noted with surprise that draft TOR for the IRM as proposed by the Secretariat did not take into account the COP mandated function of the mechanism to serve for purposes of a review of GCF funding decisions. The Ethics and Audit Committee in their deliberations on the sidelines of the Board meeting thus focused on revising the TORs for the redress mechanism and the integrity unit and submitted altered terms to the Board for approval. The Board, following the recommendation of the Ethic and Audit Committee, approved the revised terms of reference for the integrity unit and the redress mechanism, with the Southern civil society active observer requesting to have civil society concerns reflected in the record that the scope of the IRM is too limited in only allowing "groups of people", but not individual persons that have been directly or indirectly affected by Fund's activities – as is the international best practice – to bring their complaints forward. The Board then in a separate decision approved the terms of reference for the Fund's evaluation unit, which were left unchanged from the draft version, subject to a notification by the British Board member who felt that the terms for the IEU incompletely reflected the best-practice norms and standards for independent evaluation as elaborated by the OECD/DAC. At his recommendation, in Bali Board members decided to request the Secretariat to develop a proposal for a Board committee that would assist the Board in recruiting the heads of the three independent accountability units analogous to the process set up for the recruitment of the GCF Executive Director. Draft terms of reference for such a Board committee are to be presented to the Board at its next meeting in May.

Independent Evaluation Unit (IEU)

The IEU is to conduct periodic independent evaluation of the Fund's performance to inform the Fund's decision-making and provide strategic guidance to it as a learning institution to improve the effectiveness and efficiency of its activities. It would also support an independent assessment of the overall performance of the Fund, should the COP commission such a report, as has been the responsibility of the GEF Evaluation Office since 2007. The IEU, which is to be headed by a skilled professional appointed by the Board for three years, will also attest to the quality of Fund self-evaluations performed by the Secretariat and work with the independent evaluation units of GCF intermediaries and implementing entities. The IEU will do country-wide portfolio evaluations, thematic Fund-wide evaluations as well as evaluations of project-specific and programmatic approaches.

Taking into account the Fund's results management framework, the IEU will look at the relevance, effectiveness, impact and sustainability of projects and programs; how innovative they are; how gender equity is addressed; whether country ownership of projects and programs is observed and at replicability and scalability of activities as criteria for its evaluation work. Unexpected results, both positive and negative, will also be observed. The IEU will publish all its reports and provide them also to the COP for its periodic review of the financial mechanism of the UNFCCC. Since the Fund will be working initially exclusively through implementing entities and intermediaries, agreements will cover and delineate the respective roles and responsibilities of the IEU and the corresponding bodies of intermediaries and implementing entities. The latter will be required to cooperate with the Fund's IEU.

Independent Integrity Unit (IIU)

The IIU is to investigate allegations of fraud and corruption and other prohibited practices such as abuse, conflict of interest and retaliation against whistle-blowers in line with international best practices and in close cooperation with relevant authorities of counterparts, reporting either directly to the Board or through its Ethics and Audit Committee. All complaints or allegations against the Fund or persons associated within its competence will be investigated by the IIU, although such investigations will not be a judicial process. The IIU will protect as confidential any non-public information and prevent unauthorized disclosure of findings. It will serve as the initial point of conduct for all alleged or suspected incidents, register all events and review them to determine the veracity of possible violations.

The IIU will be headed by an expert appointed by the Board in an open and transparent manner for a tenure of three years, renewable once, and report to the Board on its activities, including with an annual summary report. It is to work with the Secretariat and the Executive Director to promote awareness of the Fund's integrity standards, including to all implementing entities, intermediaries and executing entities. Special agreements between the GCF IIU and corresponding bodies of implementing entities and intermediaries will be covered in agreements delineating respective roles and responsibilities and requiring those bodies to cooperate with the Fund's IIU.

Independent Redress Mechanism (IRM)

The IRM is to receive complaints relating to the operation of the Fund and to evaluate them and make recommendations, but not to adjudicate them as a court of appeals would. It is essentially a mechanism to address two distinctly different key functions, namely

1) **Reconsideration of GCF funding decisions**: a request can be filed by a developing country that has been denied GCF funding for a specific project or program despite finance availability if the countries can show, and the IRM will determine, that the denial was inconsistent with the policies, program priorities and eligibility criteria of the Fund, including those implementing guidance by the COP. Informal means are to be used as first instance and the IEU will prepare a report for the Board's consideration, including with recommendations for possible remedial action, with the Board deciding on whether to follow those recommendations.
2) **Redress for affected communities**: a grievance or complaint can be filed by a group of persons who have been directly affected by impacts through the failure of the project or program funded by the Fund to implement the GCF's operational policies and procedures, including its environmental and social safeguards, or the failure of the Fund or its intermediaries and implementing entities to follow such policies. The IRM will evaluate if a grievance or complaints meets those eligibility criteria and address such a grievance or complaint if eligible, first through informal means such as problem solving or mediation. Only then would the IRM make recommendations to the Board for project- or program-specific action and monitor whether such actions as decided by the Board are implemented. The IRM could also recommend changes to GCF operational policies and procedures.

The IRM is to be headed initially by a part-time expert only (to be reviewed on the basis of workload), appointed the Board for a tenure of three years, renewable once and reporting to the Board, including through periodic progress reports and an annual report. The IRM will have a separate budget, with the head of the IRM solely responsible for staff appointments, for which it will draw on a roster of experts maintained by the IRM. Detailed guidelines and procedures governing the work of the IRM will be approved by the Board that are to be "iterative" and based on informal resolution of problems. Special agreements between the GCF IRM and corresponding bodies of implementing entities and intermediaries will be covered in agreements delineating respective roles and responsibilities and requiring those bodies to cooperate with the Fund's IRM.

Status of Resources

The Board only took note, but did not discuss a report that the World Bank as Interim Trustee prepared for the Bali Board meeting on the financial resources available in the GCF Trust Fund[32]. It shows that as of December 31, 2013, the GCF Trust Fund has received pledges and contributions from 12 countries (Australia, the Czech Republic, Denmark, Finland, France, Germany, Japan, Korea, Netherlands, Norway, Sweden and the UK) totaling US$ 35.83 million, with contributions received from all 12 countries totaling US$ 33.78 million. Since the last status report, the GCF Trust Fund received a substantial contribution from Germany of EUR 17 million for readiness and preparatory support, with another promise by South Korea for the same purpose yet to be formally pledged and received. Germany is currently by far the biggest contributor to the GCF Trust Fund. Since the last report, the Netherlands (with EUR 500,000), the Czech Republic (with US$ 300,000) and Norway (with US$ 1.4 million) have also contributed to the administrative expenses of the Fund. In Bali, two more countries came forward with pledges. Italy promised EUR 500,000 and host country Indonesia, a developing country and thus not required to contribute to the GCF, pledged US$ 250,000 toward core expenses. The Indonesian generosity is certainly also meant to apply pressure to developed country contributors to show some more financial magnanimity.

The contributions to the GCF Trust Fund are currently not enough to cover cumulative funding decisions that the Board already made by December 31, 2013. These amounted to US$ 54.82 million and included US$ 18.82 million for the administrative budget for the Board, Secretariat and Interim Trustee until December 31, 2014, as well as US$ 27.57 million in future commitments toward staff salaries and related costs for the Secretariat staff, many of whom are in the process of being hired with three-year contracts, for the period through 2017.

TABLE 1: Status of pledges & contributions to the GCF Trust Fund, as of February 21, 2014

Country	Pledges (US$ '000s)	Deposited (US$ '000s)
Australia	513	513
Czech Republic	300	300
Denmark	1,272	608
Finland	648	648
France	326	326
Japan	500	500
Germany	24,456	23,079
Korea	3,158	3,158
Netherlands	974	974
Norway	1,402	1,402
Sweden	1,511	1,511
United Kingdom	770	770-
TOTAL (as of December 31, 2013)	35,830	33,788
Indonesia	250*	---
Italy	686*	---
NEW TOTAL *(reflecting updated information as of October 10, 2013, shared in Paris)*	36,766*	33,788*

*NOTE: * denotes updated information at 6th GCF Board meeting in Bali, Indonesia. Indonesia pledged US$ 250,000; Italy pledged EUR 500,000 (which translated into roughly US$ 686,000 with the exchange rate on Feb. 21, 2014, the last day of the Board meeting). Source: Document GCF/B.06/Inf.04, February 14, 2014, "Green Climate Fund Trust Fund Financial Report" and author notes*

TABLE 2: Total GCF administrative budget expenditures from November 1, 2012 until December 31, 2013 (in US$)

	Approved Budget (11/1/2012 -- 12/31/2013)	Actual Expenditures (11/1/2012 – 6/30/2013)	Actual expenditures (11/1/2012 – 12/31/2013)	Difference (approved + actual) (by 12/31/2013)
1.Board				
1.1.Board Meetings	954,000	197,532	286,614	667,386
1.2 Board Ctes, panels &working groups	382,000	0	0	382,000
Sub-total Board	*1,336,000*	*197,532*	*286,614*	*1,049,386*
2. Interim Secretariat				
2.1. Salaries, Wages & Consultancies	4,116,000	1,545,499	3,516,435	599,565
2.1.1. Executive Director	121,000	0	121,000	0
2.2. Travel (Board Meetings & consultations)	315,000	119,070	417,217	(202,217)
2.3. General operating & IT costs	1,175,000	158,357	256,200	918,800
Sub-total Interim Secretariat	*5,606,000*	*1,822,926*	*4,189,852*	*1,416,148*
4. Interim Trustee				
4.1. Financial & program management	400,000	n/a	n/a	n/a
4.2. Investment Management	11,000	n/a	n/a	n/a
4.3. Accounting & reporting	76,000	n/a	n/a	n/a
4.4. Legal services	172,000	n/a	n/a	n/a
4.5. IT systems	30,000	n/a	n/a	n/a
Sub-total Interim Trustee	*689,000*	*180,778*	*294,959*	*394,041*
GRAND TOTAL	***7,631,000***	***2,201,237***	***4,771,425***	***2,859,5755***

Sources: Document GCF/B.01-13/Inf.02 "Status of Resources" (as of February 24, 2013), Document GCF/B.05/Inf.03 "Status of Resources" (as of September 17, 2013) and Document GCF/B.06/Inf.03 "Status of Resources (as of February 14, 2014).

The Board also took note of an overview over the actual and projected partial expenditures for activities of the Board, Interim Secretariat and the World Bank as the GCF's Interim Trustee until the end of 2014[33]. At its meeting in October 2013 in Paris, the Board had approved an administrative budget for the year 2014 of up to US$ 18.82 million based on funds available in the GCF Trust Fund. The Board also approved from resources available or to be made available in the GCF Trust Fund the budget cost of Secretariat staff salaries and entitlement for a three year contract period projected to be US$ 12.04 million for 2015, US$ 12.4 million for 2016 and US$ 3.13 million for 2017.

The status of resources report also showed that during the 14 months period from November 2012 to the end of December 2013 the Fund spend a total of US$ 4.77 million, or US$ 2.86 million less than budgeted. The difference in spending was largely due to the fact that the venues and logistical services for the three GCF Board meetings in 2013 in Berlin, Songdo and Paris were provided by the host country governments and Board committees did not meet in person. Also, delays in filling positions and working with part-time consultants, several of whom were working remotely, reduced staff costs and salaries. Originally, staff cost projections had included expenditures for 10 full-time staff and four full-time consultants, as well as consultancy contracts totaling 160 weeks. Lastly, the Interim Trustee incurred fewer costs than projected, although one reason for this was that the GCF Trust Fund had lower balances than forecast (resulting in a lower administrative fee).

Administrative Policies of the Fund

At its 4th Board meeting in Songdo in June 2013, the GCF Board had approved a hybrid administrative framework for the Fund, basing staff's immunities and privileges on those of the International Fund for Agricultural Development (IFAd) while modeling the GCF administrative policies, including for travel, human resources, procurement and finance after those of the Asian Development Bank (ADB).[34] The Co-Chair had asked Board members to approve the administrative policies of the Fund as elaborated in a document and draft decision on a no-objection basis right before the Bali meeting as a Board decision in-between meetings.[35] However, with the Board member of Denmark voicing an objection, the Board document was reopened for full discussion by all Board members and placed on the Bali meeting agenda.

The Danish objection centered around a proposed benefit for internationally recruited staff of the GCF Secretariat, which is to be paid based on the ADB's international staff salary structure. In contrast, staff locally hired in South Korea would be under a World Bank pay schedule (which has a country office in South Korea. Specifically, the Danish Board member was worried that supplementary benefits under the ADB pay schedule, such as cost-of-living-allowances (COLA), when applied to the GCF Secretariat located in Songdo/South Korea could mean a raise of wage levels close to a feared doubling of benefits. This is due to the fact that the ADB is headquartered in Manila/Philippines and that under an ADB schedule a posting in South Korea would bring a significant cost-of-living adjustment on top of the original salary level if used with discretion. This, so the concern, could imply some reputational risk for the GCF. The Danish Board member thus wanted a clear understanding what the costs of supplementary benefits for international staff for the GCF Secretariat would be.

A suggestion by the German Co-Chair to address this and other possible issues on the sidelines of the Board meeting was met with some objection by the Board members from Egypt, India and the United States who urged transparency to the full Board for any discussions on the administrative policies. The representatives from the US and Poland had also some substantial issues that they wanted to see addressed, with the US Board member concerned that a passage under the human resources section (para. 6) did not include a reference to sexual orientation in its principle on anti-discrimination in addition to listing "without discrimination on the basis of sex, race, nationality, or religion", calling it international best practice. The Polish Board member was not happy with a provision allowing the Executive Director to reallocate funds among line items, once the administrative budget for the Secretariat is approved by the Board (para. 39). It is not clear if both concerns were addressed in a final text version of the administrative policies as ultimately approved by the Board in Songdo.

To further discuss the human resources part of the Fund administrative policies and hear information from how the ADB interprets its HR policies, the Board met in closed session, re-emerging with the compromise proposal on the third meeting day to strike the original text passage and footnote referring to the COLA and instead substitute it with a footnote reference that this issue will be explored in connection with detailed HR guidelines yet to be developed by taking into account existing cost of living comparisons between Songdo, Manila and Washington DC and similar practices in comparable institutions, as well as ADB practices and history of establishing salary levels between headquarters and external duty stations. The meeting record (not yet published) will also reflect as a statement that the Secretariat will use the lowest range of a proposed 3-tiered salary structure (minimum, midlevel, maximum) for the various compensation levels from young professionals to the Executive Director as the starting point of salary determination. This minimum range for internationally recruited staff starts from US$ 74,100.00 for Junior Professional (pay grade IS1) to US$ 257,800.00 for the Executive Director (pay grade IS10), with the latter salary being the equivalent to a Vice-President in a multilateral development bank.[36]

The Board in Songdo in Decision B.06/03 adopted the administrative policies as amended and approved the Fund's initial staff salary structure effective January 1, 2014. The administrative policies will be reviewed in 2019, or earlier, if the Board deems so necessary.

Travel Policy

At its 3rd Board meeting in Berlin in March 2013, the Board had made some initial decisions – mindful of the need for a comprehensive travel policy of the GCF – related to the reimbursement of travel costs and the payment of a daily subsistence allowance for eligible Board members and alternate Board members traveling to GCF Board meetings (decision B.01-13/02). Eligibility was then defined in line with UNFCCC rules for travel support. At the 4th Board meeting in June 2013, the Board then decided to also pay for the "direct and economical route associated with Board meetings of one designated adviser per eligible developing country Board member and alternate member" (decision B.04/18). While the Fund's more elaborated travel policy was originally scheduled for discussion at the 5th Board meeting, it was not taken up under the discussion of the GCF's administrative policies in Paris. With efforts unsuccessful to have an intersessional no-objection approval of the travel policy before Bali, it was thus put on the agenda for the Bali meeting, where it unfortunately used up a lot of Board time and goodwill.

The Secretariat had prepared a paper and draft decision for Bali[37], which laid what costs would be covered by the GCF travel policy under the administrative budget of the GCF Secretariat and elaborated the terms under which eligible Board members, alternates, advisors, active observers and Fund staff could travel. It suggested to delegate authority to the Executive Director to issue further travel guidelines for specified circumstances. The draft travel policy also stipulated for the Fund to adopt an offsetting scheme for its travel-related carbon emissions based on an approach proposed by the Secretariat and approved by the Board. A footnote in the Board paper, which noted that eligibility for covered travel of representatives from developing countries would be defined by the Board at a later stage, led so some heavy disagreement between developed and developing Board members. The argument about who is to benefit from travel support by the GCF Secretariat was ultimately a proxy fight for the larger an ongoing tug-of-war between the developed and the developing country constituencies in the GCF Board of how closely tied to or independent of the UNFCCC and its mandates, decisions and rules the GCF as an institution is.

The Board members from China, Brazil, Egypt and Saudi Arabia expressed their disagreement with any efforts – implied by the determination of eligibility by the Board – to differentiate developing countries as one constituency into separate country categories, arguing that the UNFCCC travel policy does not make such a distinction, that all developing countries are eligible to receive funding under the UNFCCC, that the GCF would not be established without a decision by the UNFCCC and that the rules of procedure and decisions that the Board has already taken support the travel support for all developing countries. The Board member from the Dominican Republican worried in particular about the GCF's travel policy covering adequate representation of developing countries at GCF Board meetings and related missions. Developed country Board members from the US, Australia, Japan and the UK disagreed arguing that the GCF's relationship with the UNFCCC Conference of Parties (COP) did not extend to the GCF administrative policies and that therefore the UNFCCC travel policy did not apply to the GCF. The Danish Board member, supported by the French colleague, reasoned that reimbursement of travel expenses through the administrative budget was a right, but not an obligation. And Germany's Board member pointed out that countries' need, not the developing country constituency should be the determinant for GCF travel support, stressing that different groupings of developing countries are already recognized under the Governing Instrument, for example with respect to the composition of the Board, the PSF and allocation.

The Philippine Co-Chair tasked a small group of four Board members (from Australia, the Netherlands, Georgia and Egypt) to try to find a compromise in discussions on the side-line of the Board meeting. Reporting back several times over the course of the next two days of their failed efforts to find a compromise language acceptable to all Board members, discussion on the travel policy was ultimately suspended in Bali with no decision taken by the Board.

Logo for the Fund

For more than a year now and taking up valuable discussion time in four consecutive meetings, the Board has attempted to find a suitable logo for the GCF, acknowledging its importance for the representation and recognition of the Fund globally. The process to select a logo for the Fund was started at the 3rd GCF Board meeting in Berlin by initiating a contest for young art students to submit proposals to the Secretariat, with a Board Selection Panel with members from Pakistan, Spain, South Korea and Hungary and one civil society and private sector representative each formally put in charge at the 4th Board meeting to manage the contest and select the best entries for decision by the Board in October 2013. However, at its 5th Board meeting the Board – after reviewing a selected short-list of entries in a session closed to observers – found the entries lacking and "not adequate to represent the identity and image of the Fund" and cancelled the logo competition. Instead, a professional designer was contracted and the Logo Selection Panel tasked to oversee the design work and to present to the full Board at its meeting in Bali logo options for decision. The design choices were shared with Board members in a document (GCF/B.06/Inf.05) for review, however, the document, because of trademark and intellectual property right restrictions, was not made publicly available. Likewise, the discussion on the logo in Bali took place behind closed doors without participation by or information sharing with registered observers to the meeting. In Bali, the Board decided that the color and shape of the favorite design needed some adjustment. It therefore asked the Secretariat to work with the designer on the re-design. The Logo Selection Panel is to review the revised design and, if they are in agreement, asked to forward it to the Board for approval.

The GCF Board's Tough Challenge Ahead

The new Co-Chairs, after a less than optimal first Board meeting in Bali under their belt, face the challenge of having to steer the GCF Board in only four days at the 7th Board meeting in May in Songdo through what can essentially only be a gaveling through of key operational policies for the GCF, including the six outstanding operational modalities considered to be pre-requisites for the start of capitalization talks for the Fund this fall. These are the initial modalities for the operation of the Fund's mitigation and adaptation windows and the Private Sector Facility; an initial results management framework for the Fund; an initial proposal approval process, including the criteria for program and project funding; a guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund's environmental and social safeguards and fiduciary principles and standards; the Fund's financial risk management and investment frameworks; and the structure of the Fund, including the structure of the PSF. Additionally, several other policies of great importance to the Fund's full operationalization are also making a reappearance on the Songdo agenda for Board decision, including the contentious issues of country ownership (the no-objection procedure and best practices for NDAs and focal points and stakeholder participation) and modalities for enhancing direct access, as well as a detailed work program on readiness and preparatory support -- all considered key priorities for developing country Board members. None of these decisions are easy to make under the best of circumstances. It remains to be seen if the added time crunch and pressure heightens:

substantial differences remaining between many individual Board members, the two Board constituencies of developed and developing countries and regional country groups, or if they force – if only begrudgingly accepted – compromises. If the latter, the GCF Board could be following in the footsteps of the 40 members of the Transitional Committee (TC), who in designing the GCF in their last meeting in October 2011 faced pressure to deliver for the African COP in Durban just weeks later in a “take-it-or-leave-it” approach that forced the TC members to accept a Governing Instrument that none of the 40 was really happy with – and which is now the unchallenged foundation of the GCF operationalization efforts. It is clear that the Co-Chair and the Secretariat will attempt to reduce the documents and draft decisions for consideration and approval at the May meeting to the bare-bone information necessary to be considered as fulfilling the resource mobilization essential requirements. An additional short-notice Board gathering if necessary or to push for some decisions on a no-objection basis after the Songdo meeting could be a back-up option if the agenda proves to be too overwhelming for the Board’s capacity to come to agreements in May. If outstanding decisions were then to be taken before late June, this would still be in accordance with the time-table to fulfill the requirements of the GCF resource mobilization decision from Paris – and in time for the UN Secretary General’s Climate Summit on September 23rd. Even if initial pledges for the GCF aren’t announced during the special UN Climate Summit, though, substantial first pledges for the GCF should not come much later anyway if they are to send a positive signal and unlock the deadlocked climate negotiations at COP 20 in Lima, Peru in December. And substantial progress in Lima, including on climate finance commitments, is mandatory for a new global climate to take effect in 2020, which has to be finalized at COP 21 in Paris in late 2015.

ENDNOTES:

Meeting documents for the 6th GCF Board meeting (in the version submitted to the Board pre-Bali, but not yet updated newer versions of some documents) are posted on the GCF website (http://www.gcfund.org/documents/board-meeting-documents.html).

As of April 16, 2014, neither the summary report of the decisions taken in Bali, nor the video recordings of the Bali proceedings were available on the GCF website.

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[1] Board Document B.05/24,"Report of the Fifth Meeting of the Board, 8-10 October, 2013"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/Report_of_the_Fifth_Meeting_of_the_Board__8-10_October_2013.pdf.

[2] For the Co-Chairs, Manfred Konukiewitz from Germany provided an oral report to Board members. The Independent Secretariat provided a written summary of its activities, available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/Report_on_Activities_of_the_Secretariat_fin_20140211.pdf.

[3] Bali Board Paper GCF/B06/02, "Initial Modalities for the Operation of the Fund's Mitigation and Adaptation Windows and the Private Sector Facility"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Initial_Modalities_fin_20140211.pdf.

[4] Bali Board Paper GCF/B06/12, "Structure of the Fund, Including the Structure of the Private Sector Facility (Progress Report)"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Structure_of_the_Fund-_Progress_Report_fin_14_Feb_2014.pdf.

[5] For short biographies of the non-Board PSAG members, see: http://www.gcfund.org/fileadmin/00_customer/documents/pdf/Biographies_of_PSAG_experts.pdf**.**

[6] These are found as Annexes I and II to GCF Board Document GCF/B.05/23 (Decisions of the Board), available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B05_23_Decisions_5th_Meeting_of_the_Board_20131108.pdf, p.15f.

[7] Bali Board Paper GCF/B.06/04, "Initial Results Management Framework of the Fund (Progress Report)", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B0_604_Initial_Results_Management_Framework_find_20140209.pdf.

[8] Bali Board paper GCF/B.06/03, "Additional Result Areas and Indicators for Adaptation Activities", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06__Additional_Adaptation_Areas_fin_20140209.pdf.

[9] Letter dated March 13, 2014, sent by Christina Chan and Juan Pablo Hoffmaister in their function as Co-Chairs of the UNFCCC Adaptation Committee to the GCF Board Co-Chairs Jose Maria Clemente Sarte Salceda and Manfred Konukiewitz, available at: http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/gcf_b_letter_13_march_2014.pdf**.**

[10] The Danish/Dutch Board seat paper on *"Operationalizing a Gender-Sensitive Approach in the Green Climate Fund"* is available at: http://www.boell.org/web/index-Schalatek_Burns_GCF_Gender-Sensitive-Approach.html**.**

[11] GCF Decision B.BM-2014/03 (Decision taken in between Board meetings), "Decision of the Board on the Appointment of Members of the Risk Management Committee"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/Decision_B.BM-2014_03_On_Appointment_of_Members_Risk_Management_Committee.pdf

[12] Bali Board paper GCF/B.06/10, "Financial Risk Management Framework (Progress Report)," available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Financial_risk_management_fin_20140207.pdf**.**

[13] Document GCF/B.04/17, "Decisions of the Board – Fourth Meeting of the Board, June 26-28, 2013", Decision B.04/08, para. (k), p.7; available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf.

[14] GCF Decision B.BM-2014/2 (Decision taken in between Board meetings), "Decision on the Appointment of Members of the Investment Committee", http://gcfund.net/fileadmin/00_customer/documents/pdf/Decision_B.BM-2014_02_on_Appointment_of_Members_Investment_Committee.pdf

[15] Bali Board paper GCF/B.06/11, "Investment Framework (Progress Report)," available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Investment_Framework_fin_20140211.pdf.

[16] Bali Board paper GCF/B.06/12, "Structure of the Fund, including the Structure of the Private Sector Facility" (Progress report); available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Structure_of_the_Fund-_Progress_Report_fin_14_Feb_2014.pdf.

[17] GCF Governing Instrument, para. 23 (f).

[18] Bali Board paper GCF/B.06/09, "Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards (Progress Report)"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_09_Guiding_Framework_for_Accreditation_fin_20140211.pdf.

[19] CAO Audit Report C-I-R9-Y10-F135, "CAO Audit of a Sample of IFC Investment in Third Party Financial Intermediaries", October 2012, available at: http://www.cao-ombudsman.org/newsroom/documents/Audit_Report_C-I-R9-Y10-135.pdf**.**

[20] These principles are listed in Annex III to GCF Board Document GCF/B.05/23 (Decisions of the Board); available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B05_23_Decisions_5th_Meeting_of_the_Board_20131108.pdf, p.17.
[21]. Bali Board paper GCF/B.06/16, "Financial Terms and Conditions of Grants and Concessional Loans", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_06_Financial_terms_and_conditions_fin_20140206.pdf.
[22] For information on the HIPC initiative and eligible and participation countries see: https://www.imf.org/external/np/exr/facts/hipc.htm.
[23] See Annex I in Bali Board paper GCF/B.06/08, "Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding (Progress Report", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Proposal_Approval_Process_fin_20140211.pdf.
[24] Decision GCF/B.05/05; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B05_23_Decisions_5th_Meeting_of_the_Board_20131108.pdf, p.4f.
[25] Bali Board paper GCF/B.06/05, "Policies and Procedures for the Initial Allocation of Fund Resources"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Allocation_fin_07Feb14.pdf.
[26] GCF decision B.04/5, recorded in GCF Board document GCF/b.04/17, pp. 4-5, available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf.
[27] Bali Board paper GCF/B.06/15, "Additional Modalities That Further Enhance Direct Access, Including Through Funding Entities"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_15_Direct_Access_Modalities__fin_2014_02_11.pdf.
[28] See Decision B.01-13/10, recorded in GCF Board Document GCF/B.01-13/12, p.8f.
[29] Bali Board Paper GCF/B.06/14, "Detailed Programme of Work on Readiness and Preparatory Support"; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/Detailed_Programme_of_Work_on_Readiness_and_Preparatory_Support_fin_2014....pdf.
[30] Available at: http://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=13.
[31] Bali Board Paper GCF/B.06/06, "Terms of Reference of the Independent Evaluation Unit, the Independent Integrity Unit, and the Independent Redress Mechanism;" available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B_06_06_Terms_of_Reference_final_IEU_IIU_IRM_13_Feb2014.pdf.
[32] Bali Board Paper GCF/B.06/Inf.04, "Green Climate Fund Trust Fund Financial Report", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Inf_04_GCFT_Financial_Report_as_of_31Dec2013-Interim_Trustee_fin....pdf.
[33] Bali Board Paper GCF/B.06/Inf.03, "Status of Resources", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B06_Inf03_Status_of_Resources__fin_14_feb_2014.pdf
[34]Board decision B.04/03; available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf, p.3.
[35]Board paper GCF/BM-2014/01, "Administrative Policies of the Fund", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B_BM_Administrative_Policies_fin_20140205.pdf
[36] Ibid, Annex III, page 18.
[37] Bali Board paper GCF/B.06/17, "Travel Policy", available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_B.06_Travel_policy__fin_13_Feb_2014.pdf

ANNEX I

Members of the Board of the Green Climate Fund (as of April 2, 2014)

Seat No.	Member/ Alternate Member (AM)	Country	Regional Group
1	Mr. Christian N. Adovelande	Benin	Africa
1	Mr. Tosi Mpanu Mpanu (AM)	DR Congo	Africa
2	Mr. Omar El-Arini	Egypt	Africa
2	Mr. Newai Gebre-ab (AM)	Ethiopia	Africa
3	Mr. Zaheer Fakir	South Africa	Africa
3	Mr. Paulo Gomes (AM)	Guinea Bissau	Africa
4	Mr. Liang Ziqian	China	Asia-Pacific
4	Mr. Kwang-Yeol Yoo (AM)	South Korea	Asia Pacific
5	**Mr. Ayman Shasly**	Saudi Arabia	Asia-Pacific
5	**Mr. Farukh Iqbai Khan (AM)**	Pakistan	Asia-Pacific
6	**Mr. Jose Ma. Clemente Sarte Salceda**	Philippines	Asia-Pacific
6	**Mr. Dipak Dasgupta (AM)**	India	Asia-Pacific
7	**Mr. Pedro Garcia Brito**	Dominican Rep.	Latin America/ Caribbean
7	**Ms. Audrey Joy Grant (AM)**	Belize	Latin America/ Caribbean
8	**Mr. Sergio Serra**	Brazil	Latin America/ Caribbean
8	Mr. Rodrigo Rojo (AM**)**	Chile	Latin America/ Caribbean
9	**Ms. Monica Victoria Hidalgo Andino**	Equador	Latin America/ Caribbean
9	**Mr. Rodrigo Suarez Castano (AM)**	Columbia	Latin America/ Caribbean
10	Mr. David Kaluba	Zambia	LDCs
10	Mr. Mesbah ul Alam (AM)	Bangladesh	LDCs
11	Mr. Patrick McCaskie	Barbados	SIDS
11	Mr. Ali'ioaigi Feturi Elisaia (AM)	Samoa	SIDS
12	Mr. George Zedginidze	Georgia	Floating seat, developing countries
12	**Mr. Irfa Ampri (AM)**	Indonesia	Floating seat, developing countries
13	Mr. Ewen McDonald	Australia	Australia/ New Zealand
13	Mr. Rod Hilton (AM)	Australia	Australia/ New Zealand
14	Mr. Per Callesen	Denmark	Denmark/ the Netherlands
14	Ms. Irene Jansen (AM)	Netherlands	Denmark/ the Netherlands
15	Mr. Arnaud Buisse	France	France
15	Mr. Frederic Glanois (AM)	France	France
16	Mr. Manfred Konukiewitz	Germany	Germany
16	Mr. Norbert Gorissen (AM)	Germany	Germany
17	Mr. Kentaro Ogata	Japan	Japan
17	Mr. Tomonori Nakamura (AM)	Japan	Japan
18	Mr. Henrik Harboe	Norway	Norway/ Czech Republic
18	Mr. Petr Kalas (AM)	Czech Republic	Norway/ Czech Republic
19	Mr. Marcin Korolec	Poland	Poland/ Hungary
19	Mr. Adam Kirchknopf (AM)	Hungary	Poland/ Hungary
20	Ms. Ana Fornells de Frutos	Spain	Spain/ Italy
20	Ms. Ludovia Soderini (AM)	Italy	Spain/ Italy
21	Mr. Alexey Kvasov	Russia	Russia/ Switzerland
21	Mr. Anton Hilber	Switzerland	Russia/ Switzerland
22	Mr. Jan Cedergren	Sweden	Sweden/ Belgium
22	Mr. Jozef Buys (AM)	Belgium	Sweden/ Belgium
23	Mr. Nick Dyer	United Kingdom	United Kingdom
23	Mr. Josceline Wheatley (AM)	United Kingdom	United Kingdom
24	Mr. Leonardo Martinez	United States	United States
24	Mr. C. Alexander Severens (AM)	Unites States	United States

NOTE: Names of GCF Board Members in bold indicate a change in the arrangements during the three-year term of membership.

ANNEX II

Achieving a Fund-Wide Gender-Sensitive Approach in the Green Climate Fund[1]: Recommendations for the 6th Meeting of the GCF Board

With decision 3/CP.17, the Green Climate Fund (GCF) made history as the first global climate finance mechanism to include gender equality concerns at its inception by including specific commitments on gender in its Governing Instrument,[2] including by mandating the Fund to strive to maximize the impact of its funding for adaptation and mitigation while "taking a gender-sensitive approach" (para.3).

As the GCF Board moves forward in operationalizing the Fund and exploring options for a Fund-wide gender-sensitive approach, it must consider multi-pronged activities, wherein it 1) **meaningfully integrates gender considerations into ongoing policy decisions** on operational modalities under the Business Model Framework (BMF) and required for the initial resource mobilization efforts which are **scheduled for the 6th and the 7th GCF Board meetings** and 2) develops a **comprehensive gender action plan with a time-line and firm targets** for progress in achieving a gender-sensitive approach within the Fund.

At its Bali Meeting, the GCF Board is asked to take note of an options paper (GCF/B.06/13) presented by the Secretariat and recommend next steps. The proposal for recommended action by the Board should be amended (with new text suggested in **BOLD**) to read:

"*It is recommended that the Board:*

- *(a) Takes note of the information presented in document GCF/B.06/13 Options for a Fund-wide Gender-sensitive Approach;*
- *(b)* ***Requests the Secretariat to integrate gender considerations into the ongoing preparation of Board papers considered for decisions at its May 2014 meeting;*** *and*
- *(c) Requests the Secretariat to prepare a ~~document~~* ***gender policy statement and gender action plan, through consultations with relevant bodies and observer organizations,*** *for consideration by the Board at its October 2014 meeting."*

Priority actions for the Board to take in Bali so that the GCF can make progress towards operationalizing a gender-sensitive approach include:

- Provide a **clear and explicit time-line and gender action plan/strategy** for how the recommendations put forth in the "Options for a Fund-Wide Gender-Sensitive Approach" document would be undertaken.
- Ensure that, in addition to the entry points and recommendations identified in the options paper, other Board decisions adequately integrate gender considerations. Consider consulting with an **identified reference/technical gender and climate change expert group** on various BMF background papers up for decision of the Board to help ensure such guidance, reports and recommendations are gender-sensitive.
- Ensure **gender and social expertise** is included among the staff of each **proposed main divisions of the Secretariat** as well as ensure that **advisory panels/experts groups are informed by gender and social expertise**, and have representation of men and women from diverse stakeholder groups and geographic regions.
- Establish **minimum requirements at the Fund level**, which need to be met by EEs, IEs, etc., on how the design of activities need to incorporate gender-sensitive aspects.

[1] Authors: Elizabeth Eggerts (UNDP) and Liane Schalatek (Heinrich Böll Foundation North America) with input from the Global Gender and Climate Alliance (GGCA) Climate Finance Working Group. Contact in Bali: Liane Schalatek, Heinrich Böll Foundation North America (liane.schalatek@us.boell.org)

[2] Explicit gender reference in the GCF Governing Instrument are included under I. Objectives and Guiding Principles, Paragraph 3; II. Governance and Institutional Arrangements, Paragraphs 11 and 21; V. Operational Modalities, Paragraphs 31; XII. Stakeholder Input and Participation, Paragraphs 71.

- Strengthen the gender sensitivity within the proposed results areas and indicators to **ensure performance indicators are gender-smart and utilize a mix of gender-sensitive quantitative and qualitative indicators.**
- Elaborate a **set of environmental, social and gender safeguards in conjunction with a GCF gender mainstreaming policy** as part of the criteria by which all entities that access GCF financing must abide.
- Develop **gender-sensitive criteria for project identification and fund allocation** for each funding window, including initial windows for adaptation and mitigation and make their consideration mandatory for approval.
- Mandate that countries **develop country coordinating mechanisms that have diverse composition with non- governmental representation** and which also have integral roles in proposal development and oversight.

Organized under the key agenda topics of the 6th GCF Board Meeting (BM), the following sections provide more detailed concrete recommendations on how to make progress toward a gender-sensitive approach in the GCF. In cases where recommendations correlate directly to draft decision text and topics put forth in the background documents, the applicable location of such text is noted next to the recommendation in parenthesis.

Options for a Fund-Wide Gender-Sensitive Approach (GCF/B.06/13)

- Provide a more **clear and explicit time-line and gender action plan and/or strategy** for how the recommendations put forth in the document would be undertaken. Key decisions on the GCF BMF, including in all the eight policy areas where decisions are required for resource mobilization efforts to start, are scheduled to be completed in BM6 and BM7 before the Board meeting in October as well as before the more detailed gender statement is currently scheduled to be completed. As such, to operationalize “a gender sensitive approach”, as noted in the GCF Governing Instrument, continuous and more concrete action from the Secretariat in incorporating gender considerations into Board preparation papers and draft decision for BM7 specifically are needed simultaneously to drafting a comprehensive and ambitious gender policy statement. *(Section V)*
- Ensure that, in addition to the entry points and recommendations identified in the options paper, other Board decisions (e.g. country ownership and particularly efforts to define best practices and guide country coordination and multi-stakeholder engagement efforts, the initial results management framework and performance indicators, the work program on readiness and preparatory support, the initial approval process for funding etc.), which are important at the current stage of the Fund’s development for making progress on a Fund-wide gender-sensitive approach, adequately integrate gender considerations. To help in this work, **consider consulting with an identified reference/technical gender and climate change expert group on various BMF background papers up for decision of the Board to help ensure such guidance, reports and recommendations are gender-sensitive.**
- ‘**Balanced participation’ should also include a wide range of stakeholders (government, CSOs, IPs, NGOs, etc.) and be gender-sensitive**, as participation involves more than just involving women and men in consultations. Ask the Secretariat to development and apply gender-sensitive engagement rules for liaising with and managing the Fund’s relationships with stakeholders and observer organizations by reaching out to civil society, the private sector and international organizations, ensure genuine and effective interactions with a broad range of stakeholders. Critical in this process is ensuring that women are adequately represented in any formal Secretariat-led consultations and their roles, levels of power and constraints are taken into account when liaising and managing relationships and designing and conducting consultations. Stakeholders also need to be able to attend as well as meaningfully participate, and raise their voice in such discussions. Thus, capacity building activities may need to be provided. *[Para 11(d)]*
- When developing guidelines on project-level for gender-sensitive activities, **attention needs to be taken to ensure budgeting allotments for gender sensitive activities account for all phases of programming**, including design, implementation, monitoring and evaluation, with

specific resources earmarked for gender, as appropriate. Some discussions on this point only highlight implementation. Climate Investment Funds' (CIF) programs and projects that allocated dedicated resources and funds to ensure that gender considerations were included have shown to be more successful in their gender mainstreaming efforts. *[Para 11(f)]*

- **Provide adequate resources in the budget of the Independent Secretariat for an internal GCF gender infrastructure to include gender and social experts**, gender capacity building efforts, as well as resources for information sharing and outreach activities. *[Para 10(i)]*
- **During project/program approval process, utilize a gender checklist or a gender analysis for a criterion for approval**. More comprehensive tools, other than just a gender question in any initial program/project concept note to determine the gender elements of such a program/project, should also be drawn upon. Terms, such as "not all projects would be expected to have gender elements" (para.21) should be avoided. Most if not all project/program proposals involve and note the role of stakeholder input and participation or provide a description on beneficiaries for any project or program. Thus, per the GCF Government Instrument, such activities needs to involve the "input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples", and thereby must be gender-sensitive and would involve gender elements. *(Para 21, Section 4.3)*
- **Ensure gender and social expertise is included among the staff of each of the proposed main divisions of the Secretariat** (country programming, mitigation and adaptation, PSF, external affairs and support services). Additionally, **provide regular training for GCF staff on gender and climate change**. In this process, strive for gender balance (para 21 in the GCF Governing Instrument) among the Independent Secretariat staff as diversity in leadership and broad expertise in decision-making creates opportunities for transformative change and can help ensure that the GCF effectively addresses complex climate change challenges, including the diverse needs and capacities of those impacted by and able to combat climate change. *(Section 3.1)*
- **Minimum requirements should be established at the Fund level, which need to be met by EEs, IEs, etc., on how design activities need to incorporate gender-sensitive aspects** (i.e. be it in guidelines, templates, etc.). Examples of such Fund-level gender policy guidance and requirements can be drawn from the GEF Policy on Gender Mainstreaming as well as the Adaptation's Fund reporting revised templates annexed to its operational, policies and guidelines. *(Para 22, Section 4.3)*

<u>**Additional Result Areas and Indicators for Adaptation Activities (GCF/B.06/03)**</u>

- **Put people at the center of all indicators on adaptation (don't relegate them to a sector approach) and strengthen the concepts of gender equality and women's empowerment within the proposed additional results areas and indicators for adaptation activities.** As currently written, most of the proposed results areas do not make explicit connections to beneficiaries or people-centered interventions and to concepts of gender equality and women's empowerment. As adaptation is particularly relevant for vulnerable groups (i.e. poor, women, youth), cross-cutting issues, such as gender equality and women's empowerment, can help ensure that women, as essential stakeholders, are fully considered and represented and that gender roles and dynamics, including constraints and capacities are taken into account and proactively addressed in program/project design, implementation and monitoring and evaluation.
- **Ensure that performance indicators of the Fund address gender equality explicitly**, for example by focusing on beneficiaries of intervention and the "utility of use" of climate-resilient infrastructure and by disaggregating household reference. Currently indicators listed in Annex II, "Extended and additional adaptation result areas and related performance indicators" are gender neutral, wherein they do not explicitly account for or measure the differentiated impacts and potential benefits between men and women. *(Annex II)*

<u>**Initial Results Management Framework of the Fund (Progress Report) (GCF/B.06/04)**</u>

- While the initial results management framework does propose sex-disaggregated indicators, more focus should also be placed on making proposed performance indicators gender-smart (e.g. not referring to "people", but to men and women and addressing beneficiary groups in some detail).

In this work, **develop and utilize a mix of gender-sensitive quantitative indicators** (e.g. number of female-headed households with access to low carbon modern technologies) and **qualitative indicators** (indicating changes in processes or governance frameworks or public participation) for both mitigation and adaptation. *(Annex III)*

- **Ensure that reporting on the gender-sensitive impact of GCF funded activities is mandatory**. It is not enough to suggest to leave it up to implementing and executing entities to pick at least one co-benefit to measure. A gender- sensitive approach is not a co-benefit, but a cross-cutting approach to the Fund's work and has to be measured at both the implementing level as well as on the Fund portfolio aggregate level for all GCF interventions in adaptation and mitigation. *(Section 6.2)*
- **Revise the proposed paradigm-shift indicators for mitigation to not just measure the costs and volume of GHG emissions avoided, but also how such aggregate Fund mitigation activities contribute to improving and securing the livelihood and quality of life of men and women**. Rather than focusing on the volume of leveraged finance, the focus should be on necessary policy shifts to fundamentally change the way the societies and men and women interact with the environment and each other. *(Section 5.1)*

<u>Policies and Procedures for the Initial Allocation of Fund Resources (GCF/B.06/05) and Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding (Progress Report) (GCF/B.06/08)</u>

- **Ensure that the proposed two-tier allocation system for the GCF facilitates a gender-sensitive approach** and helps guarantee effective allocation of resources to benefit vulnerable populations. For example, specifically earmarked reserve funds for women and marginalized groups within each of the GCFs' thematic funding windows could be set aside. The GCF Board could also channel resources through complementary funding mechanisms such as a small grants facility to support women's empowerment and gender equality through small-scale community-based activities in which women in developing countries are more frequently engaged. Such set-aside funds have to be understood as a complement to, but not a substitute for, addressing gender-based criteria across the Fund. *(GCF/B.06/05, Para 9-11)*
- **In the first tier, address the current global underfunding of adaptation, given that women are disproportionally affected by climate change impacts in developing countries**, by ensuring a balanced allocation between mitigation and adaptation and set cumulative Fund commitments for adaptation at no less than 50 percent of overall funds (the target range is not acceptable). Allocation for adaptation should be prioritized for vulnerable country groups, namely SIDS, LDCs, and African states as identified by the Board. Given the heavy climate burden that women in these poorest countries carry (some 116 states and thus the majority of Fund eligible countries), the initial target floor allocation for these countries must be significantly higher than the recommended 10 per cent initially. *(GCF/B.06/05, Para 15 and 17)*
- **In the second tier, develop gender-sensitive criteria for project identification and fund allocation for each funding window and facility**, including the initial windows for adaptation and mitigation, and make their consideration mandatory for approval. When establishing criteria, a too narrow focus on economic efficiency must be avoided in favor of criteria acknowledging a broader sustainable development context. Ensure gender considerations and gender differentiated impacts and benefits are noted within the criteria definitions and indicators, particularly in terms of measuring transformational potential. (*GCF/B.06/05, Para 15 and GCF/B.06/08, Section 3.4)*
- **For the Private Sector Facility (PSF), such criteria must address existing barriers to access to finance for women in recipient countries**. They should also engage with women-run private sector micro, small and medium enterprises as well as private sector businesses, companies and investors who are gender-sensitive in their work, and have established inclusive sustainable business practices, investment strategies, carbon reduction targets, etc. *(GCF/B.06/05, Para 16)*
- **Revise the Initial Proposal Approval Process recommendations for decisions at BM7 to integrate and reference stakeholder input and participation in the project and programme**

approval cycle in line with the mandate of the Governing Instrument paras. 51 and 71 and acknowledging women's special contribution. (*Annex I).*

- **Ensure that gender expertise is represented in a possible technical advisory panel** that would assist the Secretariat with assessing project and programme proposals. *(GCF/B.06/08, Para 34)*

<u>Terms of Reference for the Independent Evaluation Unit, the Independent Integrity Group, and the Independent Redress Mechanism (GCF/B.06/06)</u>

- **Ensure that the mandate and commitment to a Fund-wide gender-sensitive approach is reflected in the terms of reference (TOR) of the Independent Evaluation Unit (IEU)** by requesting the IEU to periodically evaluate GCF gender results and by ensuring that the evaluation panel includes social and gender expertise to review the results of Fund interventions for their gender equality merit. (*Annex II)*
- **Mandate a GCF Independent Redress Mechanism which will allow affected individuals (not just a group) to seek to have their complaints heard and seek redress in accordance with international best practice**. Allow complaints to be received in a variety of formats, including in native languages or video formats or in person to accommodate gender- differences with respect to access to information and communication technology and literacy levels. Ensure that non-compliance with the mandate for a gender-sensitive approach to GCF funding in the preparation, design and implementation of GCF-funded project and programs as well as an open violation of the gender equity and women's empowerment safeguard of the GCF is cause for a compliance review, conflict resolution and redress. (*Annex IV)*

<u>Country Ownership (GCF/B.06/07)</u>

- **Ensure GCF supported activities [including under the Private Sector Facility (PSF)] are gender-sensitive, developed with the full and meaningful participation of all relevant stakeholders, including women**, and aligned with national climate and development plans in applying the principle of country-ownership and implementing the no-objection procedure. In order to allow for information of and consultation with stakeholders in country on proposed activities, the timeframe to communicate a country's no-objection must be extended beyond the three weeks suggested with active approval required. Private sector funding proposals must be subject to the same active no-objection procedure as public initiatives. (*Annex I and Annex II)*
- **Mandate that countries develop best practice country coordinating mechanism (CCMs) with an integral role in proposal development and oversight, drawing on the experience for example of the Global Fund which sets requirement for its diverse composition with significant non-governmental representation**. Develop Fund guidance beyond voluntary guidelines that ensures a diverse range of national and local stakeholders, including women's and civil society groups and NGOs, are included in country coordination processes leading to a determination of a recipient country's funding priorities as well as are informed about the application of the no-objection procedure. The application of the no-objection procedure by the a national designated authority (NDA) or a focal point should in itself not be understood as a confirmation or substitute for inclusive and participatory stakeholder and the selection of countries' NDA or focal point should take their capacity to facilitate such multi-stakeholder processes into account. (*Section 4.1. and Annex III)*

<u>Guiding Framework and Procedures for Accreditation, including the Funds Fiduciary Principles and Social and Environment Safeguards (Progress Report) (GCF/B.06/09)</u>

- **Consider experience with and a commitment to gender-responsive funding implementation a criterion for the accreditation of national and multilateral implementing entities and support national entities to build the necessary capacity to do so**. In addition, to promote participatory country-led processes, require national designated authorities and implementing entities to have gender expertise, seek a gender balance on their staff and conduct gender-sensitive consultations at all project cycle stages, wherein women, women's cooperatives and organizations and other vulnerable and marginalized groups are included as key stakeholders. Where these requirements are not fulfilled, accreditation should be provisional with a grace period to improve their ability to fulfill the gender criteria. (*Annex I)*

- **Ensure that gender and social expertise is provided to the Board's team on accreditation** tasked to finalize the development of the guiding framework for the accreditation process of the Fund by BM7. (*Section II)*
- **Elaborate a set of environmental, social and gender safeguards in conjunction with a dedicated GCF gender mainstreaming policy as part of the mandatory criteria** by which all entities that access GCF financing must abide. These standards need to be consistent with accepted human rights conventions, covenants, and declarations, such as the UNDHR, UNDRIP, and ILO Conventions, among others and environmental law, respect collective property rights, free, prior and informed consent (FPIC) and explicitly reference gender equality. Apply these criteria fund-wide in a coherent funding approach, including in the PSF, to ensure that women are not negatively affected by PSF investments in developing countries, especially large-scale ones.
- **Improve on the suggested initial social and environmental safeguards by strengthening language referring to disadvantaged and vulnerable groups** (and list them explicitly as women, children, disabled people, traditional communities, and indigenous peoples) and avoiding terms such as "disproportionate adverse effects" which seem to imply an acceptance of some violation of the rights of women and disadvantaged and vulnerable groups as a result of GCF funded activities. *(Annex I)*
- **Institute and require sub-national, national and multilateral implementing entities to have a gender-sensitive complaint and redress mechanism in place** that are capable of addressing violations against social and environmental safeguards and policies, at the implementing entity level, which allows civil society stakeholders, including women, to raise complaints and grievances and have them addressed by gender experts.

<u>Detailed Work Programme on Readiness and Preparatory Support (GCF/B.06/14)</u>

- **Provide readiness and preparatory support to strengthen the capability of recipient countries' national statistical systems to collect and analyze sex--disaggregated data** relevant to GCF funding and measuring its effectiveness in being equitably accessible and beneficial to both women and men.
- **When providing readiness support to the private sector, ensure that mircro small- and medium-sized enterprises (MSMEs), which are disproportionally owned by women, are prioritized**. Focus particularly on building the capacity of local financial intermediaries in developing countries to increase their products and programmes available specifically for women-run private sector MSMEs as well as private sector businesses, companies and investors who are gender sensitive in their work, and have established inclusive sustainable business practices, investment strategies, carbon reduction targets, etc. (*Section II)*
- **In readiness and preparatory support and any corresponding programme of work, provide dedicated financial resources and capacity building and other support as necessary** to ensure the 1) meaningful engagement of women and other marginalized groups in in-country multi-stakeholder preparatory processes for identifying the appropriate NDA or establish country coordinating mechanisms that elaborate national priorities for low-emission and climate- resilient development; and 2) articulation of gender-responsive programmatic approaches within such strategies and national development plans. (*Section 3.1 and 3.2)*

<u>Additional Modalities That Further Enhance Direct Access, Including Through Funding Entities (GCF/B.06/15)</u>

- **Give non-state and sub-national actors, including civil society groups and communities, the opportunity to directly access and act as implementing entity** (for grant funding) under special accreditation provisions with the Fund for example via a GCF small grants facility for women and marginalized groups as an option and preferred access modality. (*Section 3.4)*

- **Ensure that GCF environmental and social safeguards including the provisions on gender equality and women's empowerment apply to and are implemented by all GCF-accredited implementing entities and intermediaries.** A GCF operational understanding of intermediary must include the responsibility and capacity of those intermediaries to guarantee compliance with GCF safeguards through different levels of intermediation including financial blending, financial structuring or on-lending. (*Section 4)*

Financial Terms and Conditions for Grants and Concessional Loans (GCF/B.06/16)

- **To help promote the shift to low-emission and climate-resilient development pathways, the terms and conditions of instruments deployed by the Fund for mitigation and adaptation should consider women's empowerment and gender equality** as an important results area in its own right, especially for full and incremental cost grant financing for mitigation and adaptation activities under the GCF.
- **In addition to gender, include environmental, social and human rights safeguards in the terms and criteria for grants and concessional loans** and also apply them consistently to sub-lending by implementing entities to financial intermediaries.

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Annex III

Letter of Southern Civil Society Organizations to GCF Board Members, October 3, 2013

Dear Members and Alternate Members of the Board of the Green Climate Fund:

We are organizations, movements and civil society groups from developing countries with decades of experience working for the rights and aspirations of peoples and communities. We are writing to express our unified call for the adoption of the most robust environmental and social protections at the Green Climate Fund.[i] We are joined in solidarity by the undersigned organizations based in developed countries.

Consistent with the United Nations Framework Convention on Climate Change (UNFCCC) and other relevant international agreements, developed countries are obligated to provide the necessary finance to enable affected peoples to deal with climate impacts, build resilience, and shift to more sustainable, equitable low carbon development pathways. Similarly, States have the obligation to their citizens and all peoples to use climate funds for these purposes effectively and responsibly in a democratic, accountable, and transparent manner that respects human rights and does not harm the environment.[ii]

The following principles, obligations, and standards must be upheld by and applied to the GCF, the governments that contribute to or receive GCF funds, members of the GCF Board, and non-State actors that receive funds or implement GCF funded projects. These principles, obligations, and standards must apply to all GCF activities -- operations, modalities, terms of financing arrangements, financial instruments, financial intermediaries, projects, sub-projects, programs, etc.

- **Sovereignty, self-determination, and the fulfillment of State obligations --** The GCF must respect the sovereignty and self-determination of developing countries and their peoples. GCF funding should not be used as leverage to impose on recipient governments conditionalities that are extrinsic to fiduciary terms and mutual obligations of financial arrangements. Likewise, States should not invoke sovereignty as a reason for failing to fulfill their obligations to deliver on the following principles, obligations and standards, which are not conditionalities and must be upheld and operationalized by the GCF as a public institution.
- **"Do no harm" principle** -- GCF activities should not have harmful impacts, whether social, gender, economic, or environmental. To ensure and verify that harm is not done, the GCF must develop strict mandatory due diligence and review procedures for all access modalities and all Fund activities to ensure compliance with the "do no harm" principle and rigorous monitoring of directly and indirectly financed activities throughout their lifetime. Binding "do no harm" language must be included in all contracts, sub-contracts, and agreements. GCF finance must not trigger involuntary displacement (shelter and/or livelihoods), nor be used to fund fossil fuel projects.
- **Financial intermediaries (FIs) --** It is especially difficult for FIs and other conduits of indirect finance to ensure adherence to the "do no harm" principle, as was clearly demonstrated by a 2013 CAO audit carried out on the International Finance Corporation (IFC)'s large FI portfolio.[iii] The IFC was proven unable to trace, understand or document the environmental and social impacts of its FI investments, presenting a dangerous risk to the environment and affected communities. We are opposed to the use of international FIs by the GCF. The use of domestic FIs, many of which are also opaque and non-transparent, must only be considered if directly proposed by recipient countries for their climate programs. In such cases, the GCF must then ensure due diligence in adequate assessment of the potential environmental and social impacts and risks associated with the FI's existing and likely future portfolio; full public disclosure, consultation, and documentation of free, prior, and informed consent on all FI subprojects; and permanent transparent monitoring throughout the lifetime of projects and subprojects.
- **Financial integrity and anti-corruption** -- Financial accounting and procurement practices

should adhere to the highest international standards. The sources of funds must be demonstrably free of links to money laundering. There must be no use of secrecy jurisdictions/tax havens for domiciling funds flowing to or from the GCF. Any links to officials, their family members, or associates must be made public and publicly examined to ensure freedom from corruption. There should be no provision of immunity for violations of the law by those carrying out any service as part of the GCF.

- **Public consultations; fully documented free, prior, and informed consent (FPIC); and grievance mechanism** -- The GCF must carry out regular public consultations about its operations, programs, and projects in a manner that is responsive and appropriate to the needs and concerns of affected groups and communities. These consultations should be transparent, inclusive, and in accordance with the international right of FPIC. The GCF should ensure upward harmonization with the highest standards and practices. Consultations should cover concept, design, and location of the projects and programs; assumptions, objectives, and methodologies; assessment of impacts and risks (economic, environment, gender, and social); and monitoring and evaluation. Information and all documents should be provided at least 120 days in advance of any funding decision -- in languages that communities understand and with concerted outreach to marginalized groups. Special attention should be paid to affected communities through processes that uphold their right to make decisions about matters affecting their lives, livelihoods, and/or environment. This must include the right to veto projects or programs, as well as protection from intimidation and coercion by project proponents and their supporters. Further, the GCF must provide an easily accessible independent complaints or grievance mechanism with civil society oversight.
- **Equity, non-discrimination and inclusion** -- The GCF must develop principles, criteria, and a clear system and indices for equitable and fair allocation of climate finance across countries, founded on consensus and agreement by developing countries with full input by civil society groups from developing countries. The GCF should not finance activities that reinforce inequities and discrimination across and within countries. No country, or population group within a country, should suffer discrimination, exclusion, or marginalization on the basis of economic status, gender, race/ethnicity/caste, religious belief, or other social constructs. All GCF activities and measures must be based on an equitable assessment of capacities, potential, vulnerabilities, and the needs of countries, peoples, and groups. Inclusion as an operational guideline logically extends from diligent compliance with principles of equity and non-discrimination.
- **Transparency** – The Governing Instrument of the GCF mandates it to operate in a transparent and accountable manner.[iv]. Maximum transparency – to the public, and especially to those most affected by the climate crisis – and avoidance of the use of “business confidentiality” clauses[v] are prerequisites for compliance with the aforementioned principles, standards, and obligations. Live web streaming of the GCF Board Meetings is a fundamental first step for transparency.
- **Compliance with International Law and Upward Harmonization with the Highest National and International Standards:** The GCF must operate in compliance with international law and binding obligations pertaining to human rights (including economic, social, cultural, gender, indigenous, and labor rights, among others), and the environment. In addition, all GCF activities must meet or exceed the highest of national and international standards on transparency, social and environmental protection, labor, gender, and Indigenous Peoples rights. Standards should account for gender segregated baseline information, and assessment of direct, indirect, induced, cumulative, and long term social, gender, and environmental impacts and risks associated with proposed financing. Further, there must be recognition that human and environmental rights obligations have primacy over financial obligations.

Thank you for your serious consideration of these most important matters. Sincerely,

[i] For further background, see "Submission to the GCF Board, Jubilee South – Asia/Pacific Movement on Debt and Development," March 11, 2013.

[ii] The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action highlight the fact that governments should be inclusive in setting up national policies and plans -- including through consultation with CSOs; should be consistent with their international commitments on gender equality, human rights, disability, and environmental sustainability; fight corruption; and be transparent and accountable to people in developing and donor countries. http://www.oecd.org/dataoecd/11/41/34428351.pdf.

[iii] CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries. Office of the Compliance Advisor-Ombudsman, World Bank Group, February 2013.

[iv] Governing Instrument of the Green Climate Fund, paragraph 3 under Objectives and guiding principles.

[v] "Confidentiality" should be narrowly defined and applied only to strictly limited and specific data contained in project documents (e.g. home addresses of project proponents, a specific formula calculated for a specific project, etc.).

SOUTHERN SIGNATORIES

GLOBAL SOUTH and REGIONAL SOUTH NETWORKS and ORGANIZATIONS

Jubilee South – Asia/Pacific Movement on Debt and Development (JSAPMDD)
LDC Watch
South Asia Alliance for Poverty Eradication (SAAPE)
Asian Regional Exchange for New Alternatives (ARENA)
Migrant Forum in Asia (MFA)
Third World Network
Climate Action Network (CAN) South Asia
Asian Indigenous Women's Network
Asia Indigenous Peoples Pact
Africa Jubilee South
Pan African Climate Justice Alliance (PACJA)
African Biodiversity Network
No REDD in Africa Network (NRAN)
Association of African Women for Research and Development African
Forum and Network on Debt and Development (AFRODAD)
Interamerican Association for Environmental Defense (AIDA)
Red SUSWATCH (Observatorio de la Sostenibilidad)
IBON International
Indigenous Peoples' Global Partnership on Climate Change and Forests
Global Forest Coalition
Friends of the Earth International
International Trade Union Confederation (ITUC)
Global Alliance for Incinerator Alternatives
NGO Forum on the ADB

NATIONAL NETWORKS and ORGANIZATIONS

ASIA and the PACIFIC

Project Survival Pacific: Fiji's Youth Climate Movement, Fiji
Nabodhara, Bangladesh
Resource Integration Centre, Bangladesh
Equity BD, Bangladesh
Jatio Sramik Jote, Bangladesh
Bangladesh Krishok Federation
VOICE, Bangladesh
Maleya Foundation, Bangladesh Jagrata
Juba Shangha (JJS), Bangladesh
Bangladesher Jatiyo Sramik Jote-BJSJ, Bangladesh
Centre for Environmental Justice/Friends of the Earth Sri Lanka
Campaign for Climate Justice (CCJN), Nepal
All Nepal Peasants Federation
All Nepal Women's Association

Jagaran Nepal
Rural Reconstruction Nepal Human
Rights Alliance Nepal
Federation of Community Forestry Users Nepal (FECOFUN)
Pro Public/ Friends of the Earth Nepal
National Forum for Advocacy, Nepal (NAFAN)
Indian Social Action Forum
National Coastal Women's Movement, India
Keystone Foundation, India
Himalaya Niti Abhiyan, India
mines, minerals and People, India
Stree Mukti Sanghtana, India
Vasudha Foundation, India
Climate & Energy Group, Beyond Copenhagen collective (BCPH), India
River Basin Friends, India
Environment Support Group, India
Public Advocacy Initiative for Rights and Values in India (PAIRVI), India
Save Our Urban Lakes (SOUL), India
Pakistan Fisherfolk Forum, Pakistan
Pakistan Kissan Rabita Committee, Pakistan
Koalisi Anti Utang, Indonesia
Aksi for Gender, Social and Ecological Justice, Indonesia
Solidaritas Perempuan (Women's Solidarity For Human Rights) - Indonesia
debtWATCH Indonesia
Institute for Essential Services Reform, Indonesia
The Ecological Justice, Indonesia
WOCAN (Women Organizing for Change in Agriculture and NRM), Thailand
Haburas Foundation/Friends of the Earth East Timor
Alyansa Tigil Mina, Philippines
Aksyon Klima Pilipinas, Philippines
Ateneo School of Government, Philippines
Coastal CORE, Inc, Philippines
Campaign for a Life of Dignity for All (KAMP), Philippines.
EcoWaste Coalition, Philippines
Freedom from Debt Coalition, Philippines
Freedom from Debt Coalition-Eastern Visayas, Philippines
Green Convergence for Safe Food, Healthy Environment and Sustainable Economy, Philippines
Institute for Climate and Sustainable Cities, Philippines
Kalayaan, Philippines
Kitanglad Integrated NGOs (KIN), Philippines
Pambansang Koalisyon ng Kababaihan sa Kanayunan (National Rural Women Congress), Philippines
Partnership for Clean Air, Inc. Philippines
Philippine Movement for Climate Justice, Philippines
Philippine Rural Reconstruction Movement
Sanlakas, Philippines
Sarilaya, Philippines
Tebtebba (Indigenous Peoples' International Centre for Policy Research and Education) - Philippines
Ecological Society of the Philippines
Citizens' Institute for Environmental Studies, Korea
KFEM/Friends of the Earth Korea
Taiwan Youth Climate Coalition

AFRICA
AMASOT (Association pour le Marketing Social au Tchad), N'Djaména (Tchad)
Alternative Information and Development Center (AIDC) , South Africa Million
Climate Jobs Campaign, South Africa
Centre for Civil Society, Durban, South Africa
groundwork/Friends of the Earth South Africa
Jamaa Resource Initiatives, Nakuru, Kenya

Daughters of Mumbi Global Resource Center, Kenya
Organisation de Bienfaisance et de développement, Djibouti
Youth Network for MDG, Madagascar
Somali Organisation for Community Development Activities (SOCDA) Association Nigérienne des Scouts de l'Environnement (ANSEN), Niger Alliance Nationale de lutte contre la Faim et la Malnutrition (ACFM), Niger Ethiopian Consumer Society
Jeunes Volontaires pour l'Environnement (JVE-Togo)
Niger Delta Women's movement for Peace and Development Worldview-The Gambia
Friends of the Earth-Ghana
GrassRootsAfrica, Ghana
Abibiman Foundation, Ghana
Labour, Health and Human Rights Development Centre, Nigeria
Health of Mother Earth Foundation (HOMEF) ---Nigeria
Environmental Rights Action/Friends of the Earth Nigeria
NGO Coalition for Environment, Calabar, Nigeria
Center for 21st Century Issues, Nigeria
Zambia Climate Change Network
Justica Ambiental (JA!) / Friends of the Earth Mozambique
Malawi Economic Justice Network (MEJN), Malawi
Social Forum Senegal
PAEDD, Senegal
SEATINI, Uganda
Le Forum National sur la Dette et la Pauvreté de Côte d'Ivoire

LATIN AMERICA and the CARIBBEAN
Eco Sitio, Argentina
M´Biguá, Ciudadanía y Justicia Ambiental, Entre Ríos, Argentina FUNAM, Fundación para la defensa del ambiente, Argentina Taller Ecologista, Argentina
LIDEMA, Bolivia
Bolivian Climate Change Platform, Bolivia
Instituto del Tercer Mundo of Montevideo, Uruguay
Centro Humboldt, Nicaragua
La Fundación de Iniciativas de Cambio Climático, Honduras ACICAFOC, Honduras
Fundacion Solar, Guatemala
Fronteras Comunes, Mexico
Equidad, Mexico
Instituto de Políticas para el Transporte y el Desarrollo, Mexico CEMDA, Mexico
CTS EMBARQ Mexico
Programa de Integridad en el Financiamiento Climático, Mexico Dejusticia, Bogota, Colombia
Derecho Ambiente y Recursos Naturales DAR, Peru.

ENDORSERS from DEVELOPED COUNTRIES

Global and Regional Networks
ActionAid International
WWF International
Global Witness
BirdLife International
Conservation International
Greenpeace
International Forum on Globalization
Women's Environment and Development Organization (WEDO)
CARE Poverty, Environment and Climate Change Network (CARE PECCN)
Food & Water Watch in North America
Food & Water Europe in Europe
European Network on Debt and Development (Eurodad)
Women in Europe for a Common Future (WECF)
Feminist Task Force

National Networks and Organizations
North America
Friends of the Earth USA
Jubilee USA Network
Institute for Policy Studies, Climate Policy Program, USA
Sierra Club, USA
Environmental Investigation Agency USA
Heinrich Böll Foundation North America
Ecumenical Peace Institute/Clergy and Laity Concerned, Northern California, USA
SF Bay Area Jubilee Coalition, USA
Missionary Oblates of Mary Immaculate, Justice, Peace/Integrity of Creation Office , USA
Center for International Environmental Law, USA
Disciples Justice Action Network, USA Green Chalice (Disciples of Christ), USA
Friends of the Earth US
Maryknoll Office for Global Concerns, USA
Environmental Investigation Agency, US
'Ulu Foundation, USA
Bank Information Center, USA
Rainforest Action Network, USA
Pacific Environment, USA
Labor Network for Sustainability, USA
Center for Biological Diversity, USA
American Environmental Health Studies Project, USA
Earthjustice
International Rivers
Oil Change International
Friends of the Earth Canada

Europe
Both ENDS, The Netherlands
Bretton Woods Project, UK
Christian Aid, UK
CAFOD, UK
Friends of the Earth England, Wales and Northern Ireland
World Development Movement, UK
Tearfund, UK
Forest Peoples Programme, UK
Jubilee Debt Campaign, UK
United Kingdom Without Incineration Network (UKWIN), UK
KULU - Women and Development, Denmark
NOAH Friends of the Earth Denmark
Naturvernforbundet/Friends of the Earth Norway
Centre national de coopération au développement, CNCD-11.11.11, Belgium
11.11.11 - Coalition of the Flemish North-South Movement, Belgium Ecologistas en Acción (Spain)
InspirAction (Christian Aid), Spain
Alliance Sud, Switzerland
Réseau Action Climat-France

Pacific
ATTAC Japan
Climate Justice Programme, Australia
Climate Action Network Australia (CANA)
Jubilee Australia
Friends of the Earth Australia
Alliance for a Clean Environment, Australia