



GREEN  
CLIMATE  
FUND

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# Summary of Board decisions necessary to guide decisions relevant to the first formal replenishment of the Green Climate Fund

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## I. Introduction

1. By decision B.21/18, the Board endorsed the process for the Green Climate Fund's (GCF) first formal replenishment. As part of the process, the Secretariat, with the support of the Trustee as relevant, was requested to prepare inputs to inform the replenishment meetings including, inter alia, a document summarizing decisions taken by the Board that are necessary to guide decisions relevant to the first formal replenishment. This document responds to the Board's request.

2. By Decision 3/CP.17, the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) established the GCF to operate in accordance with the Governing Instrument for the Fund as adopted in that decision. Per the Governing Instrument, the Fund is to be guided by the principles and provisions of the UNFCCC; and the Board will receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria, and matters related thereto, and take appropriate action in response to the guidance received. The Governing Instrument lays the foundation of the decision framework as operationalised through the decisions taken by the GCF Board.

## II. Board decisions relating to financial Inputs

### 2.1 Requirements for initial resource mobilization (IRM)

3. By decision B.05/17, the Board decided that the Fund's resource mobilization process would commence through an initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process.

4. The Board decided that its first two meetings in 2014 (B.06 and B.07) would prioritize and focus on working towards completing the essential requirements for the Fund to receive, manage, programme and disburse financial resources. The Board confirmed the detail of the essential requirements in decision B.05/17, Annex XXII.

5. By decision B.07/09 (May 2014), the Board decided that the eight essential requirements for the Fund to receive, manage, programme and disburse financial resources, as listed in Annex XXII of decision B.05/17, had been met. The Board took note that the Fund's policies, frameworks and procedures would be evolving and may need to be further enhanced.

6. The Board then decided to commence the process to mobilize resources commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

### 2.2 Initiation of the first formal replenishment process

7. By decision B.21/18, the Board, taking note that cumulative funding approvals had reached USD 5.5 billion, which triggered the first formal replenishment process, decided to launch the process for the first formal replenishment of the GCF. The Board endorsed the process for the first formal replenishment and requested the Secretariat begin making arrangements to facilitate the replenishment process.

8. The Board stressed the urgency to reach pledges for replenishment, aiming to conclude the process in October 2019, recognizing that further pledges may be received during the replenishment period.

9. The Board requested the Secretariat to prepare the following documents for consideration by the Board and the replenishment process:
- (i) A comprehensive report on the implementation of the Green Climate Fund's initial Strategic Plan over the initial resource mobilization period (2015–2018)
  - (ii) A document outlining areas in the Policies for Contributions, standard provisions and template contributions agreement that may be updated for the GCF's first formal replenishment period, including the conditions necessary to trigger subsequent replenishments; and
  - (iii) A strategic programming document outlining scenarios for the Green Climate Fund's replenishment guided by ambitious mitigation and adaptation scenarios based on the Green Climate Fund's implementation potential, taking into account the needs of developing countries, including actions based on nationally determined contributions, national adaptation plans, country programmes and other sources.
10. The process endorsed by the Board included provision for progress in the replenishment consultation meetings to be reported to the Board, and the Board being requested to consider and endorse the outcomes of the process.

## 2.3 Receipt of financial inputs

11. As established by paragraphs 29 and 30 of the Governing Instrument, the Fund will receive financial inputs from developed country Parties to the Convention, and may also receive financial inputs from a variety of other sources, public and private, including alternative sources. This was noted by the Board in decision B.05/04.
12. By decision B.05/04, the Board decided that the Fund would receive grants from public and private sources, and paid-in capital contributions and concessional loans from public sources, and may receive additional types of inputs at a later stage to be decided by the Board. As per decision B.05/04, the Fund would maintain the flexibility to receive financial inputs on an on-going basis.
13. By decision B.08/13, the Board endorsed the policies for contributions to the GCF. These have allowed the Fund to receive financial inputs from public sources. However, the Board is yet to adopt policies that would enable receipt of financial inputs from private or alternative sources. As provided in paragraphs 5 – 7 of the policies for contributions (decision B.08/13, annex XIX), the policies and procedures for contributions from philanthropic foundations and other non-public and alternative sources are under consideration by the Board and are included of the Board workplan for 2019.

## 2.4 Contributions policies

### 2.4.1 Policies for contributions

14. At B.08, the Board took note of the outcomes of the first and second meetings of interested contributors to the IRM.
15. The Board through decision B.08/13 endorsed the policies for contributions to the GCF, which includes, among others, the following policies to guide GCF in its resource mobilization activities:
- (a) Effectiveness of commitment authority;
  - (b) Trigger for formal replenishment;

- (c) Sources and types of contributions;
  - (d) Avoidance of cross-subsidization between contribution types;
  - (e) Financial terms of contributions;
  - (f) Schedule of payments and encashments;
  - (g) Prudential debt limit;
  - (h) Policies for grant, capital and loan contributions, including requirements to provide additional grant/cushion for capital and loan contributions;
  - (i) Commitment authority; and
  - (j) Risk management on liquidity, non-payment of contributions and foreign exchange.
16. The policies for contributions also provide for review of the above policies based on the actual data accrued during IRM period and under GCF's Financial Risk Management Framework.
17. By decision B.12/28, the Board endorsed that contributions pledged as part of the IRM period may be paid up to and including 2020.

#### **2.4.2 Legal arrangements for contributions**

18. By decision B.08/15 the Board approved the Amended and Restated Agreement on the Terms and Conditions for the Administration of the GCF Trust Fund. It also authorized the Executive Director of the Fund to finalize with the Interim Trustee the terms and conditions of the standard provisions applicable the contributions to the GCF Trust Fund, conditions for the use of contributions, holding currencies, as well as the templates for contribution agreements/arrangements reflecting the Policies for Contributions endorsed by the Board.
19. The Board authorized the Executive Director to execute on behalf of the Fund: (i) the Amended and Restated Interim Green Climate Fund Trust Fund Agreement; and (ii) any contribution agreements/arrangements to be entered into with the Interim Trustee and a Contributor.
20. As the loan agreements were the first legal documents of that nature (i.e. loans had been discussed with the Interim Trustee and the loan contributors in the absence of relevant policies of GCF with respect to financial risk management, which were not addressed in the Policies for contributions), the arrangement entered into with the Government of Canada and the Loan Agreement entered into with Agence Française de Développement, acting on behalf of and at the risk of the French Government were presented to and confirmed by the Board by decision B.12/29.

### **III. Board decisions on resource allocation and programming**

#### **3.1 Initial parameters and guidelines for the allocation of resources**

21. By decision B.05/05, the Board decided that the Fund would adopt a theme/activity-based approach to the allocation of resources in order to meet the Fund's objectives, and decided to keep the allocation system under review with the intention of improving it over time.
22. The Board decided that the Fund would initially make allocations under adaptation, mitigation and the Private Sector Facility. It decided that there would be balance between adaptation and mitigation and the appropriate allocation of resources for other activities. The decision also set out a basis for the allocation of resources for adaptation and mitigation.

23. By decision B.06/06, the Board adopted the initial parameters and guidelines for allocation of resources, during the initial phase of the Fund, as follows:
- (a) Aim for a 50:50 balance between mitigation and adaptation over time;
  - (b) Aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including LDCs, SIDS and African States;
  - (c) Manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximising the scale and transformational impact of the mitigation and adaptation activities of the Fund;
  - (d) Maximise engagement with the private sector, including through a significant allocation to the Private Sector Facility;
  - (e) Sufficient resources should be provided for readiness and preparatory support;
  - (f) Allocation parameters should be determined in grant equivalents.
24. The Board requested the Secretariat to report annually on the status of resources in respect of the allocation parameters and decided to undertake a review of the initial allocation parameters and guidelines, including of concentration risks, subject to the size of the Fund, no later than two years from the start of allocation of resources.
25. The initial allocation parameters and guidelines for the allocation of resources as defined in B.06/06 were later captured in the Initial Investment Framework that the Board adopted by decision B.07/06. The Board decided to keep this under review and take action as necessary.
26. Decision B.07/08 recognizes that the mitigation and adaptation windows and the PSF are integral components of the Fund that will evolve over time. The Board decided to undertake a review of the initial modalities for the operation of the Fund's mitigation and adaptation windows and the PSF, no later than three years after the IRM of the Fund.

## 3.2 Initial investment framework

27. The Initial Investment Framework adopted in decision B.07/06 contains the fund's allocation criteria, and consists of three components including: (i) the Fund's investment policies; (ii) investment strategy and portfolio targets; and (iii) the investment guidelines. The Board decided that the initial investment framework would reflect the Fund's theme/activity-based resource allocation system as laid out in decision B.05/05.

### 3.2.1 Investment policies

28. The Fund's initial set of investment policies, covering all financial instruments of the Fund, establish that the fund will finance project and programmes that demonstrate the maximum potential for a paradigm shift towards low-emission and climate-resilient sustainable development in accordance with the Fund's initial result areas and initial results management framework with a country-driven approach.

29. Initially adopted through B.06/06 as an allocation parameter, the Investment Policies reiterate that funding received and extended by the Fund will be extended in grant-equivalent terms based on a standard methodology to provide an accurate comparison of funding amounts between financial instruments.

30. The policies establish that the Fund will provide the minimal concessional funding necessary to make a project or programme viable. Consistent with the Governing Instrument, the minimum amount can be up to and including the full cost of the project or programme.

31. The policies provide that financing provided by the GCF to intermediaries may be used by the latter to blend with their own financial resources in order to increase the level of concessionality of the financing they extend to projects and programmes.

32. The GCF will not “crowd out” potential financing from other public or private sources, and only revenue-generating activities that are intrinsically sound from a financial point of view will be supported through loans by the Fund.

### 3.2.2 Investment strategy and initial portfolio targets

33. The fund’s investment strategy includes portfolio targets and investment guidelines. The investment strategy was further developed from the initial parameters and guidelines for allocation of resources as laid out in in decision B.06/06 and the initial result areas in decision B.05/03. The policy provisions that the strategy will be further developed through subsequent decisions on additional result areas for adaptation.

34. The initial GCF portfolio targets are as follows:

- (a) 50/50 balance between mitigation and adaptation (over time)
- (b) Floor of fifty per cent of adaptation allocation for vulnerable countries, including LDCs, SIDS and African States
- (c) Geographic balance, with a reasonable and fair allocation across a broad range of countries
- (d) Maximize fund-wide engagement with the private sector, including through significant allocation to the PSF
- (e) Sufficient support for readiness and preparatory activities associated with the above.

### 3.2.3 Investment guidelines

35. The Fund’s initial investment guidelines are activity-based and contain six criteria. Funding proposals are assessed against these criteria namely: (i) impact potential; (ii) paradigm shift potential; (iii) sustainable development potential; (iv) needs of the recipient country; (v) country ownership; and (vi) efficiency and effectiveness.

36. The Board by decision B.07/06 decided to keep under review the initial investment framework and to take action as necessary in particular with respect to the criterion on needs of the recipient countries in the investment guidelines

37. By decision B.09/05, the Board adopted the initial activity-specific sub-criteria and indicative assessment factors, of which only those which are applicable and relevant to respective funding proposal are assessed. The activity sub-criteria were adopted with the understanding that national and sector wide sub-criteria can be used only at the discretion of recipient countries.

### 3.2.4 Applying scale in the assessment of funding proposals

38. The Board through decision B.09/05 and B.10/17 decided to use a scale of low/medium/high in order to assess the relative expected performance of a subset of projects and programmes based on the initial investment criteria. In applying the scaling pilot, as per decision B.1017, the proposal size is defined as:

- (a) Micro proposals: up to and including US\$ 10 million in total project size;

- (b) Small proposals: above US\$ 10 million and up to and including US\$ 50 million in total project size;
- (c) Medium proposals: above US\$ 50 million and up to and including US\$ 250 million in total project size; and
- (d) Large proposals: above US\$ 250 million in total project size;
39. The Board requested the Secretariat to review the scaling pilot on an annual basis and to communicate its findings to the Investment Committee and to the Board. By decision B.12/18, the Board decided to defer the annual scaling review till 2017. The matter is currently scheduled for Board workplan and included in the Board workplan for 2019.

### 3.3 Initial results management framework

40. By decision B.05/03, the Board adopted a list of the initial result areas and the initial performance indicators of the Fund. By decision B.07/04, the Board adopted the logic models for both mitigation and adaptation. The levels of the logic models include (1) the paradigm shift objective; (2) Impacts (Fund level); (3) Project/programme outcomes; (4) Project/programme outputs; Activities; and (6) Inputs.
41. The Board also adopted three core indicators for mitigation; and one core indicator for adaptation. Pursuant to decision B.08/07, additional core indicators for adaptation are currently under consideration by the Board.
42. The various elements of the results management framework culminate into the mitigation and adaptation performance measurement frameworks (PMFs) adopted by decision B.08/07. The PMFs streamline the result areas into eight impact areas; four for mitigation, and four for adaptation, captured in the table below.

**Table 1 GCF initial impact areas**

	<b>Mitigation</b>	<b>Adaptation</b>
1.	Energy generation and access	Health, food and water security
2.	Transport	Livelihoods of people and communities
3.	Building, cities, industries and appliances	Infrastructure and built environment
4.	Forests and land use	Ecosystems and ecosystem services

43. In addition, by decision B.08/08, the Board adopted the initial logic model and performance framework specifically REDD-plus results-based payments.

### 3.4 Risk management framework

44. By decision B.07/05, the Board adopted Initial financial risk management framework and an interim risk monitoring and reporting management system made operational before the Fund to approve funding proposals. In addition, the Board adopted an interim set of risk policies applied in the early stages of the Funds' operations (Decisions B.10/08, B.12/34 and B.13/36).
45. The Board has since approved an updated set of risk policies currently with seven components adopted through decisions B.17/11 and B.19/04, that complement the initial financial risk management framework, together forming a comprehensive risk management framework. These include the: (i) Revised risk register; (ii) Risk appetite statement; (iii) Risk dashboard; (iv) Risk guidelines for funding proposals; (v) Investment Risk Policy; (vi) Non-financial Risk Policy; and (vii) Funding Risk Policy. Additional to these will be the Compliance Risk Policy; Legal Risk Policy; and Risk rating models that are under consideration by the Board.

46. The Fund's risk appetite statement recognizes that the GCF is required to take risks in order to fulfil its mandate, however such risks will be carefully managed. This includes recognition that in order to realize significant impact and promote paradigm shift to meet the Fund's strategic objectives, the Fund is willing to accept considerable uncertainties around investment risks in return for impact potential, to be evaluated on a case-by-case basis.

47. The financial risk management framework is to be reviewed no later than 3 years after the initial capitalization of the Fund. The Risk appetite statement is to be reviewed whenever a new or revised Fund strategy is formulated, or when the Board or Risk Management finds it relevant to review the statement due to major changes in related topics. The Investment Risk Policy, Non-financial Risk Policy; and Funding Risk Policy are to be reviewed every two years, or earlier upon recommendation by the Secretariat or request by Risk Management Committee or Board (beginning 2020).

## 3.5 Access

### 3.5.1 Decisions relating to access to GCF resources

48. By decision B.04/06, the Board noted that GCF would provide access to funding which encourages a country-driven approach, such as through enhancing direct access, enhancing country ownership of projects and programmes, and providing readiness and preparatory activities and technical assistance. By decision B.08/10, the Board approved the initial procedures and guidelines in relation to country ownership. By decision B.10/10 the Board further elaborated a basis for enhancing country ownership in accessing GCF resources.

49. By decision B.04/08, the Board decided the PSF would mobilize private capital and expertise at scale in accordance with national plans and priorities. The PSF would facilitate and enhance the participation particularly of local actors, including small and medium sized enterprises and local financial intermediaries, and in SIDS and LDCs. The Board also emphasized the need for the PSF to pay specific attention to Africa and to adaptation activities at the national, regional and international levels. Furthermore, the Board acknowledged the need to mobilize funds at scale from, inter alia, institutional investors, and decided that the PSF would seek efficient solutions that minimize market distortions and moral hazard in the use of GCF resources by using, inter alia, competitive processes.

50. By decision B.17/04, the Board adopted the operational framework on complementarity and coherence, which includes aims to enhancing complementarity at the activity and national programming levels to simplify access to GCF resources by, for example, harmonizing procedures for project preparatory support, standardizing advice on funding proposal applications across climate finance delivery channels, fast-tracking the accreditation of entities, and collaborating with climate finance delivery channels to maximize engagement with direct access entities.

### 3.5.2 Accreditation

51. By decision B.07/02, the Board adopted the initial guiding framework for GCF accreditation process, established the Accreditation Committee and Accreditation Panel and adopted their terms of reference. The Board also adopted the initial fiduciary principles and standards with the provision that a review of these standards would occur within three years (this review has not yet been completed).

52. Furthermore, the Board agreed on a fit-for-purpose accreditation approach that matches the nature, scale and risks of proposed activities to the application of the initial fiduciary standards, which was operationalized by decision B.08/02, stressing the fundamental



importance for the accreditation process to contribute to building the capacity of entities in developing countries.

53. By decision B.18/04, the Board decided to commence the review of the accreditation framework, and by decision B.19/13, noted that the full report on the review will be presented to the Board as early as the twentieth meeting. The review of the accreditation framework is still to be concluded.

### 3.5.3 Direct access

54. By decision B.18/02, the Board requested the Secretariat to prepare a report on the analysis of the challenges, barriers, gaps, and recommendations to achieve on an increase in the amount of direct access proposals in the pipeline, and to enhance its capacity to:

- (a) Strengthen and actively support direct access accredited entities, in consultation with national designated authorities/focal points, as appropriate, in the development of concept notes and funding proposals, consistent with the objectives, guiding principles and procedures of the GCF; and
- (b) Consider and provide feedback in a timely manner on concept notes and funding proposals received from direct access accredited entities or national designated authorities/focal points.

## 3.6 Initial strategic plan

55. By decision B.12/20, the Board endorsed the Strategic Plan of the Green Climate Fund to guide the Board in addressing policy gaps and programming the Fund's resources in the IRM period between 2015 and 2018. Building on the mandate of GCF set out in the Governing Instrument for the GCF, the Strategic Plan set out a Strategic Vision for GCF as follows:

- (a) Promoting the paradigm shift towards low emissions and climate-resilient development pathways in developing countries, including through the following:
  - (i) Financing innovative and ambitious projects and programmes, that can be scaled up, replicated and/or can lead to fundamental changes in behaviours and investment patterns;
  - (ii) Programming resources at scale while seeking to maximize impact, balance allocation between mitigation and adaptation, and focus on support for the most vulnerable;
  - (iii) Ensuring full country ownership;
  - (iv) Ensuring transparent and inclusive procedures; and
  - (v) Crowding in and maximizing the engagement of the private sector; and
- (b) Supporting the implementation of the Paris Agreement within the evolving climate finance landscape, by building on the comparative advantages of GCF and operating in coherence with existing climate finance institutions.

56. Five Operational Priorities were set to guide GCF operations for the 2015–2018 period, with a particular view to balancing the Board's ambitions to getting GCF off the ground and scale up swiftly, without compromising ambition, transformation and country ownership:

- (a) Scaling up GCF investments;
- (b) Maximizing impact;
- (c) Programming and investing the full amount pledged for 2015–2018;

- (d) Responding to developing countries' needs and priorities, including by enhancing country programming and direct access; and
  - (e) Communicating GCF ambitions and operational modalities to enhance access.
57. The Action Plan set out key strategic measures to implement the Strategic Vision and Operational Priorities.
58. The Board endorsed the Strategic Plan as a living document, intended to guide GCF as a continuously learning institution. The Board also expressed its intention to review the Fund's strategic part of each replenishment process with a view to revising the strategic vision, if and as needed, and to update the core operational priorities and underlying action plan for the coming replenishment cycle, taking account of evolving priorities, including guidance of the UNFCCC COP. This intention was reiterated in decisions B.13/10, B.19/05 and B.21/18.
59. Accordingly, through decision B.21/18, the Board invited members of the Board to send inputs on the update of the Strategic Plan to the Secretariat by 30 November 2018 in order for the Secretariat to produce a synthesis of issues for consideration by the Board at its twenty-second meeting.

#### 3.6.4 The initial Strategic Plan and the Paris Agreement

60. In the decision endorsing the Strategic plan (decision B.12/20), the Board welcomed the decision reached at COP22 that the GCF, as an operating entity of the financial mechanism, will be an operating entity of the Paris Agreement. By decision B.13/10, the Board agreed that the current GCF modalities enable support for the implementation of nationally determined contributions and adaptation-related elements of the Paris Agreement. The Board urged NDAs and Focal Points to work with accredited entities to consider how their national priorities can be submitted as concrete proposals including under the PPF. The Board requested the Secretariat to compile an information document based on country work programmes and entity work programmes in accordance with the GCF Strategic Plan for the Board's consideration.
61. The Board reiterated the intention in decision B.12/20 to regularly update the core operational priorities as defines in the initial strategic plan as appropriate taking into account evolving priorities, including inter alia guidance of the UNFCCC COP and guidance from the COP serving as the meeting of Parties to the Paris Agreement once the Paris Agreement enters into force, and relevant reports from the Independent Evaluation Unit

### 3.7 Programme of work on readiness and preparatory support

62. In decisions B.04/05, B.05/14 and B.08/11, the Board reaffirmed that country ownership and a country-driven approach are core principles of the GCF, and that Fund-related readiness and preparatory support is a strategic priority for GCF to enhance country ownership and access during the early stages of its operationalization, and may help countries to meet the Fund's objectives. The Readiness Programme was operationalized following decision B.08/11.
63. To date, the Board has allocated USD 190 million for the execution of the Readiness and Preparatory Support Programme (Readiness Programme)<sup>1</sup>.
64. In decision B.08/11, the Board decided that GCF will aim for a floor of 50% of readiness support allocation to particularly vulnerable countries (SIDS, LDC, African States). They also decided that readiness commitments to individual countries will be capped at USD 1 million per

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<sup>1</sup> USD 1 million (for the development of a detailed work programme) allocated by decision B.06/11; USD 15 million by decision B.08/11; USD 14 million by decision B.11/04, USD 50 million by decision B.15/04; and USD B.18/09 by decision B.18/09; and USD 60 million by decision B.19/15.

calendar year, and that the GCF can provide up to USD 300,000 of direct support to help establish an NDA/FP and meet the costs of delivering on the GCF's requirements for activities. The Board decided to review the interim readiness funding allocation system in 2016.

65. Decision B.13/32 established a separate activity area of the Readiness Programme specifically for the formulation of national adaptation plans and/or other national adaptation planning processes. The Board authorized the Executive Director to approve up to USD 3 million dollars per country for this purpose, which would be additional to the USD 1 million cap per country per year.

66. The Board decided that progress on meeting the objectives of the Readiness Programme as outlined in decision B.08/11 would be subject to independent evaluation after two years to assess lessons learned. In decision B.19/15, the Board took note of the findings of the initial review by the Secretariat of the Readiness Programme. The report on the independent evaluation of the Readiness Programme is under consideration by the Board. Both the initial review and the independent review are to form the basis for improving the Readiness Programme. The Board by decision B.21/14 decided to consider the forward budget for the Readiness Programme at B.22.

### 3.8 Project Preparation Facility

67. By decision B.11/11, the Board established the Project Preparation Facility (PPF) to provide funding of up to 10 per cent of requested GCF funding with a maximum of USD 1.5 million per proposal. By decision B.13/21, the Board decided that PPF will support project and programme preparation requests from all accredited entities, especially direct access entities, especially for projects in the micro-to-small size category. The Board decided on the activities to be supported by the PPF and its operating modalities.

68. The Board allocated USD 40 million for the implementation of the initial phase of the PPF, limited to a maximum amount of USD 1.5 million per PPF request. The IEU was to review the implementation of the operational guidelines and effectiveness of PPF at the end of the IRM period. By decision B.21/01, the Board deferred consideration of this matter to 2019.

### 3.9 Requests for proposals (RfPs) and Pilot programmes

69. By decision B.10/11, the Board noted that the use of RfPs is complementary to and not a substitute for proposals submitted to the GCF by Accredited Entities and NDAs or Focal Points. Submissions responding to RfPs have been considered in following the Fund's proposal approval process and as part of the wider GCF portfolio<sup>2</sup>.

#### 3.9.1 Pilot phase enhancing direct access programme

70. By decision B.10/04, the Board approved the terms of reference for a pilot phase for enhancing direct access with the initial aim of providing up to USD 200 million for at least 10 pilots, including at least four pilots to be implemented in SIDS, LDCs, and African States. The pilot is to be evaluated after 5 years (i.e. July 2020).

#### 3.9.2 MSME Pilot programme

71. Decision B.10/11 established a pilot programme to support MSMEs, allocated up to USD 200 million over the IRM in tranches. In B.13/22 the Board adopted the RfP and decided to limit

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<sup>2</sup> Related decisions: B.10/04, para. (e), B.13/32, B.13/22, paragraph (e)

the participation of the GCF in the first pilot programme to USD 100 million. The implementation and scale of the initial phase of the pilot programme was to be reviewed two years from the dates on which the related request for proposals were made. The review is yet to be considered by the Board.

### 3.9.3 Mobilizing funds at scale pilot programme

72. Decision B.10/11 also established a pilot programme to mobilize resources at scale, allocated up to USD 500 million over the IRM in tranches. In decision B.16/03 (limited distribution), the Board requested the Secretariat to launch the RfP to current and potential AEs to establish and manage pilot programmes for mobilizing funds at scale. The implementation and scale of the initial phase of the pilot programme was to be reviewed two years from the dates on which the related request for proposals were made. The review is yet to be considered by the Board.

### 3.9.4 Pilot programme for REDD-plus results-based payments

73. By decision B.18/07, the Board decided to allocate up to USD 500 million to the request for proposals for the pilot programme for REDD-plus results-based payments. It requested the Secretariat to conduct an analysis of the experience with, and the progress made towards achieving the objectives of the pilot programme no later than at its last meeting in 2019.

### 3.9.5 Simplified Approval Process Pilot Scheme

74. By decision B.18/06, the Board approved the Simplified Approval Process Pilot Scheme, to be reviewed two years from its operationalization, or when the aggregate amount of approvals under the Pilot Scheme reaches USD 80 million of GCF financing, whichever is earlier.

## IV. Reviews of Performance

75. The Governing Instrument sets the GCF up as a continuously learning institution, echoed in the GCF strategic plan and decisions adopted by the Board. The following reviews have so far been carried out under decisions of the COP and of the Board:

### 4.1.1 Reviews by the UNFCCC

- (a) The technical summary of the fifth and sixth reviews of the financial mechanism of the UNFCCC<sup>3</sup> and decisions 9/CP.20 and 11/CP.23.

### 4.1.2 Reviews by the Green Climate Fund Secretariat

- (b) The review on the operation and structure of the Secretariat (document GCF/B.18/10, Annex III);
- (c) The performance review of the Accreditation Panel (document GCF/BM-2017/10);
- (d) The review of the Accreditation Framework (document GCF/B.21/08);
- (e) The review of the financial terms and conditions of the Fund's financial instruments (document GCF/B.21/05 and Add.01);

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<sup>3</sup> FCCC/CP/2014/10/Add.2 and FCCC/CP/2017/9, Annex II respectively

- (f) The review of the structure, performance and capacity of ITAP (document GCF/B.18/Inf.11, GCF/B.21/04);
- (g) The Secretariat's initial review of the Readiness and Preparatory Support Programme (document GCF.B19/32/Add.01);
- (h) The forward-looking roadmap on the Green Climate Fund's private sector work; and
- (i) The first annual portfolio performance report (document GCF/B.21/Inf.12).

#### 4.1.3 Reviews by the independent Evaluation Unit

- (j) The independent evaluation of the Readiness and Preparatory Support Programme (document GCF/B.21/28 and Add.01);
  - (k) The independent evaluation of the implementation of the results management framework (GCF/B.21/20).
76. Review of other policies and programmes adopted in the early stages of the Fund are in the pipeline for consideration by the Board.

#### 4.1.4 Performance review of the GCF

77. Recalling paragraphs 59 to 62 of the Governing Instrument, the Board by decision B.21/17 decided to initiate a review of the performance of the GCF, in a manner appropriate to the current stage of the Fund's operations and with a view to the GCF being a learning institution. The review is to take into account, but not be limited to, the outcomes of the existing GCF review documents.

78. The scope of the review will be to assess progress made by the GCF so far in delivering on its mandate as set out in the Governing Instrument as well as in terms of its core operational priorities and actions as outlined in the initial Strategic Plan and the GCF's business model, in particular, the extent to which the Fund has responded to the needs of developing countries and the level of country ownership.

79. The scope includes the performance of the GCF, including its funded activities and its likely effectiveness and efficiencies, as well as the disbursement levels to the funded activities; and the existing GCF portfolio and pipeline, the application of financial instruments, and the expected impacts of funding decisions and other support activities, including in terms of mitigation and adaptation, on both a forward- and backward-looking basis;

80. The Board decided that the outcome of the performance review and the Board's consideration of the performance review will be shared with the replenishment process. The initial report with emerging areas of recommendation is expected no later than 28 March 2019, with a view to finalize the review no later than 30 June 2019.

## V. Governance

### 5.1 Trustee

81. As set out in the Governing Instrument, paragraphs 24 and 25, the GCF is to have a permanent Trustee to manage its financial assets, maintain appropriate financial records and prepare the relevant financial statements and reports in accordance with the applicable decisions of the Board. The Trustee is to provide services such as the transfer of funds, management of incoming and outgoing funds, foreign currency exchange, investment management, auditing of trust funds and accounting and reporting. In particular, the Trustee

will manage the contributions from existing contributors and other public and/or private entities that may foreseeably contribute to the GCF.

82. By decision B.08/22, the Board decided to invite the World Bank to continue serving as the Interim Trustee until a permanent Trustee is appointed, but with the process to appoint the permanent Trustee to end no later than the end of 2017 to enable the permanent Trustee to commence its contractual agreement with the Fund no later than April 2018. By decision B.19/03 (taken in February 2018), the Board decided to invite the World Bank to continue serving as Interim Trustee until a permanent trustee is appointed, and adopted terms of reference of the Permanent Trustee.

83. By decision B.21/07, the Board selected and appointed the World Bank as the Trustee of GCF. As per the Trustee terms of reference, “the [Trustee] term shall be for a period of four years, which term shall be renewable subject to a satisfactory review, as determined by the Board, by no later than the end of the third year of the term”

84. For 2013-2019 the Board allocated a total of USD 8.5 million for Trustee costs.

## 5.2 Secretariat

85. In decision B.05/10, the Board established the independent Secretariat with an initial structure and endorsing the process and timeframe for implementing the initial structure. The Board, by decision B.12/27, paragraph (b), noted the need to increase the number of regular staff of the Secretariat to an approximate total of 100 filled positions by 31 December 2016, and to further increase it to approximately 140 by the end of 2017. By decision B.18/11, the Board agreed and adopted the headcount of full-time-equivalent employees of 250 for 2018, and the current organizational structure of the Secretariat.

86. In accordance with paragraph 23(e) of the Governing Instrument, the Secretariat develops the work programme and annual administrative budget of the Secretariat and the Trustee and submits them for approval by the Board each year. At B.21, the Secretariat submitted the work programme of the Secretariat for 2019 and the administrative budget of the Secretariat, Board, and Interim Trustee, which the Board approved by decision B.21/09. In particular, the Board “approves an administrative budget for the Green Climate Fund for the period 1 January 2019 to 31 December 2019 in the amount of USD 72,568,002, which includes 30,278,395 in new funding, as well as USD 42,289,607 for 2019 staff salaries and emoluments that was approved by the Board in decision B.18/12”. The Board also approved “USD 48,517,729 for projected staff salaries and emoluments for 2021.”

87. Over the period 2013-2019, the Board approved a total of USD 222.9 million for the Administrative budget covering administration of the Secretariat and the Board.

## 5.3 Independent Units

88. Paragraph 59 and 60 of the Governing Instrument provides that there will be periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency to inform decision-making by the Board and to identify and disseminate lessons learned. To this end, the Board will establish an operationally independent evaluation unit as part of the core structure of the Fund

89. Paragraph 68 of the Governing Instrument provides that the Board will establish an independent integrity unit to investigate allegations of fraud and corruption in coordination with relevant counterpart authorities.

90. Paragraph 69 provides that the Board will establish an independent redress mechanism that will receive complaints related to the operation of the Fund and will evaluate and make recommendations.
91. By decision B.06/09, the Board adopted the terms of reference of the three independent units. The Heads of the Independent Units were since appointed (see decision B.13/16). The independent units are fully operational with the Board approving their annual work plans and budgets.
92. Over the period 2016-2019 the Board allocated a total of USD 15.2 million for the budgets of the Independent Units.
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