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GCF Bulletin

A Summary Report of the Ninth Meeting of the Green Climate Fund (GCF) Board

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GREEN CLIMATE FUND

SUMMARY OF THE NINTH MEETING OF THE GREEN CLIMATE FUND BOARD: 24-26 MARCH 2015

The ninth meeting of the Green Climate Fund Board (GCFB 9) convened in Songdo, Republic of Korea, from 24-26 March 2015. The meeting was a crucial step towards the goal of operationalizing the Fund and taking decisions on programme and project proposals by October 2015. To this end, Board members accredited seven entities, opening the door for them to begin developing and submitting project proposals for consideration at GCFB 11.

The Board also adopted decisions on: the initial investment framework; a policy on ethics and conflicts of interest; terms of reference (TOR) of the Independent Technical Advisory Panel (ITAP); initial term of Board membership; analysis of the expected role and impact of the Green Climate Fund (GCF); an interim gender policy and action plan; financial terms and conditions of the Fund’s instruments; legal and formal arrangements with accredited entities; mobilizing private sector funding and working with small and medium-sized enterprises (SMEs); TOR for the Appointment Committee; and the report of the Secretariat’s activities.

The Board made progress on, but did not take a decision regarding, the TOR for an enhanced direct access (EDA) pilot phase. In addition, the Board took note of the initial risk management framework and heard reports from committees and panels.

The Board also discussed the status of the initial resource mobilization (IRM) and the 30 April 2015 deadline for signing country contribution agreements. The Board decided that the Co-Chairs would monitor the situation and take timely action if necessary.

They Board further: agreed that GCFB 10 will be held from 6-9 July 2015 in Songdo, Republic of Korea; and entrusted the Co-Chairs with proposing a provisional agenda for the meeting, taking into account comments from Board members on the 2015 work plan.

Nineteen Board members, 17 alternate Board members and 69 advisors attended the meeting. Additionally, 170 observers attended, representing civil society, the private sector and international observer organizations.

A BRIEF HISTORY OF THE GCF

The GCF was first mentioned in the Copenhagen Accord, which was noted by the 15th session of the Conference of Parties (COP 15) to the UN Framework Convention on Climate Change (UNFCCC) in Copenhagen, Denmark, in 2009. The Fund was formally established as an operating entity of the UNFCCC’s financial mechanism at COP 16

in Cancún, Mexico, in 2010, and its Governing Instrument, drafted by a Transitional Committee for the design of the GCF, was adopted at COP 17 in Durban, South Africa, in 2011. The UNFCCC Secretariat and the Global Environment Facility (GEF) were invited to set up an interim Secretariat for the Fund as an autonomous unit within the UNFCCC Secretariat, and the World Bank was appointed as Interim Trustee.

According to the Governing Instrument, the purpose of the GCF is “to make a significant and ambitious contribution towards attaining the goals set by the international community

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to combat climate change.” It is expected to, *inter alia*: promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries; play a key role in channeling new, additional, adequate and predictable financial resources to developing countries, and in catalyzing climate finance, both public and private, at the international and national levels; and pursue a country-driven approach, while promoting the effective involvement of relevant institutions and stakeholders at the country level.

The Governing Instrument also states that the GCF will be guided by the principles and provisions of the UNFCCC, and be accountable to, and function under the guidance of, the COP. It calls for the establishment of a Board of 24 members, each with an alternate, composed of an equal number of members from developing and developed country Parties and selected by their respective constituency or regional group within a constituency. Representation from developing country Parties includes representatives of relevant UN regional groupings and from small island developing States (SIDS) and least developed countries (LDCs). The Instrument calls for the Board to elect two Co-Chairs, one from a developed country Party and the other from a developing country Party, to serve for a period of one year.

On access to Fund resources, the Instrument specifies two modalities. In the case of direct access through competent subnational, national and regional implementing entities, it calls on the Board to consider “additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes.” In the case of international access, recipient countries can access the Fund through accredited international entities, including UN agencies, multilateral development banks (MDBs), international financial institutions and regional institutions. Recipient countries can determine which mode of access they prefer, or choose to use both modalities simultaneously.

FIRST GCFB MEETING: GCFB 1 took place from 23-25 August 2012 in Geneva, Switzerland. At this meeting, the Board agreed to, *inter alia*: provisionally invite, on an *ad hoc* basis, four active observers to participate in its meeting and to each make a statement on issues on the agenda; establish a host country evaluation committee to discuss the selection of a host country for the Fund; request the interim Secretariat to prepare a working document on the establishment of a permanent Secretariat; and agree to a work plan for its next meeting.

SECOND GCFB MEETING: GCFB 2 took place from 18-20 October 2012 in Songdo, Republic of Korea. At this meeting, the Board voted to select Songdo as the host city for the Fund, and present this decision for endorsement to COP 18. A six-member team was established to facilitate preparation of the documents on the Fund’s business model framework, and a committee was established to provide advice on the selection of an Executive Director for the Secretariat.

THIRD GCFB MEETING: At GCFB 3, from 13-15 March 2013 in Berlin, Germany, the Board adopted additional rules of procedure, including on observers, decision making and voting. The GCFB also: approved guidelines on observer participation, accreditation of observer organizations and participation of active observers; and further discussed the Fund’s business model, calling for an informal meeting to take

place between Board meetings on this topic. It decided, among other things, to explore the availability of resources to initiate work on operationalizing a readiness phase.

FOURTH GCFB MEETING: At GCFB 4, from 26-28 June 2013 in Songdo, the Board appointed H la Cheikhrouhou as GCF Executive Director, and invited her to develop the necessary administrative guidelines for the operations of the independent Secretariat based on guidance provided by the Board. It decided on the key functions of a National Designated Authority (NDA), mandated by the Governing Instrument, and requested the Secretariat to open a call to developing countries to begin the process of designating an NDA or focal point. On the Fund’s business model, the Board discussed: objectives, results and performance indicators; country ownership; access; financial instruments; a Private Sector Facility (PSF); and structure and organization.

FIFTH GCFB MEETING: At GCFB 5, from 8-10 October 2013 in Paris, France, the Board terminated interim arrangements and approved the establishment of a fully independent Secretariat. Discussions on the business model continued. The Board decided that the Fund would initially make allocations under adaptation, mitigation and the PSF, with a balance between allocations for adaptation and mitigation. The Board established a Risk Management Committee, Investment Committee, Ethics and Audit Committee, and a Private Sector Advisory Group (PSAG). The Board decided to provide readiness and preparatory support to countries in order to: enable the preparation of country programmes; support and strengthen in-country, Fund-related institutional capacities; and enable implementing entities and intermediaries to meet the Fund’s fiduciary principles and standards, and environmental and social safeguards. The Board also decided to commence an initial resource mobilization process as soon as possible, and transition subsequently to a formal replenishment process.

SIXTH GCFB MEETING: At GCFB 6, from 19-21 February 2014 in Bali, Indonesia, the Board adopted initial parameters and guidelines for the allocation of resources during the Fund’s initial phase, including decisions that: aim for a 50:50 balance between mitigation and adaptation over time; strive for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including LDCs, SIDS and African States; manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximizing the scale and transformational impact of the Fund’s mitigation and adaptation activities; maximize engagement with the private sector, including through a significant allocation to the PSF; provide sufficient resources for readiness and preparatory support; and determine all allocation parameters in grant equivalents. The Board also allocated funds to the Secretariat to prepare a detailed programme of work on readiness.

SEVENTH GCFB MEETING: At GCFB 7, from 18-21 May 2014 in Songdo, the Board adopted: the initial guiding framework for the Fund’s accreditation process; initial fiduciary principles and standards; and the Performance Standards of the International Finance Corporation, on an interim basis. It established an Accreditation Committee and an Accreditation Panel as an independent technical panel to advise the Board on the accreditation of implementing entities and intermediaries to the Fund, and opened a call for submissions of accreditation applications from implementing entities and

intermediaries. An initial approval process was adopted, and an independent technical advisory panel of experts was established to provide an independent technical assessment of, and advice on, funding proposals. The Board also adopted: elements of the initial results management framework of the Fund; core indicators for mitigation and adaptation; an initial financial risk management framework; and an initial investment framework. The Board decided that the essential requirements for the Fund to receive, manage, programme and disburse financial resources have been met, and that the process of mobilizing resources could commence.

EIGHTH GCFB MEETING: At GCFB 8, from 14-17 October 2014 in Bridgetown, Barbados, the GCFB decided to fast-track the accreditation of entities, including subnational, national, regional and international entities, which have already been accredited by a relevant fund or institution with an accreditation process whose fiduciary, environment and social standards are compatible with those of the GCF. The Board decided it would aim to start taking decisions on programme and project proposals no later than GCFB 11 in 2015, and that only proposals submitted with a formal “no-objection” letter would be considered. The Board also decided that all developing countries would have access to readiness support for activities that include: supporting the NDA or focal point to engage with regional, national and subnational government, civil society and private sector stakeholders regarding the Fund’s priorities; developing strategic frameworks for national engagement with the Fund; enabling regional, national and subnational institutions to meet the Fund’s accreditation standards; and supporting the development of initial pipelines of programme and project proposals.

The Board decided that the Fund will aim for a floor of 50% of the readiness support allocation to particularly vulnerable countries, including SIDS, LDCs and African States, and that the readiness commitments to individual developing countries will be capped at US\$1 million per year. The Board decided to: ask the Secretariat to prepare TOR for modalities for the operationalization of a pilot phase that further enhances direct access; and extend the role of the World Bank as Interim Trustee until a permanent Trustee is appointed, no later than the end of 2017.

HIGH-LEVEL PLEDGING CONFERENCE: A GCF pledging conference was held on 20 November 2014 in Berlin, Germany. Twenty-one countries, including four developing countries, pledged a total of up to US\$9.3 billion.

REPORT OF GCFB 9

OPENING OF THE MEETING

GCFB Co-Chair Henrik Harboe (Norway) opened the meeting on the morning of Tuesday, 24 March 2015, reminding Board members of the need to focus on decisions necessary to initiate the process of approving funding proposals by GCFB 11.

GCF Executive Director H la Cheikhrouhou reminded members that 2015 represents one of the last opportunities for humanity to deviate from its current unsustainable pathway, and highlighted the critical responsibility of the Fund in that context.

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

GCFB Co-Chair Gabriel Quijandria (Peru) invited the Board to consider the provisional agenda (GCF/B.09/01/Rev.01) on Tuesday morning.

Board members: cautioned that the agenda was very ambitious; called for new agenda items on the status of IRM and of disbursing readiness funding; echoed the call by Co-Chair Harboe to prioritize decisions that are essential to start considering programme and project proposals by GCFB 11; and proposed postponing contentious decisions until informal efforts are made to find consensus.

The Board adopted the agenda with the addition of the item on IRM.

ADOPTION OF THE REPORT OF THE EIGHTH MEETING, AND REPORT ON ACTIVITIES OF THE CO-CHAIRS

The Board adopted the Report of the GCFB 8, 14-17 October 2014 (GCF/B.08/46), with no comments and heard the Report on Activities of the Co-Chairs (GCF/B.09/Inf.02) for informational purposes.

REPORT ON ACTIVITIES OF THE SECRETARIAT

Executive Director Cheikhrouhou presented the Report on Activities of the Secretariat (GCF/B.09/Inf.03), highlighting two parallel workstreams on readiness and accreditation. She reported on the appointment of an external auditor, and the operationalization of the Online Accreditation System (OAS).

The GCF Secretariat presented the addendum on Progress on the Readiness and Preparatory Support Programme (GCF/B.09/Inf.03/Add.01), highlighting that an additional 47 countries had appointed NDAs or focal points since GCFB 8. He explained that requests for assistance have focused on: strengthening NDAs/focal points; engaging stakeholders; aiding national entities aiming to be accredited; and developing project and programme proposals. He reported that the Secretariat aims to provide capacity building support to strengthen NDAs for 30 countries, country programmes for 20 countries and accreditation support for 30 countries by the end of 2015.

Commenting on the reports, Board members expressed concern regarding: unauthorized messages transmitted to countries by the Secretariat and the Executive Director; the Secretariat’s participation at forums unbeknownst to Board members; the proliferation of consultancies; lack of detail in the report on how the Secretariat can meet mandates of the Board and areas where capacity is lacking; ensuring that the constraints of LDCs are addressed; and accelerating action on the disbursement of funds for readiness.

Board members highlighted the need to employ a “wholesale” or “industrial” approach to disburse readiness funding and accelerate action on the ground, in order to: send out a strong positive message before COP 21 in December 2015; reduce transaction costs by disbursing funds on the basis of standard lists of activities, with *ex-post* verification; simplify procedures for accreditation to improve access by local organizations; build the capacity of NDAs, including on multistakeholder engagement at the national level; and improve the Secretariat’s reporting to the Board on readiness, based on a clear business plan.

Cheikhrouhou responded that the Secretariat was considering monthly or weekly bulletins to inform Board members of the Secretariat’s activities, and noted the challenge of meeting the high demand for information from NDAs while continuing outreach efforts to support resource mobilization efforts. She also highlighted the Secretariat’s endeavors to improve the cost effectiveness of their interventions, through regional events and online tools.

The Secretariat noted a busy period in recent months, with the many new NDAs seeking information on their role. He also pointed to new tools for effective messaging, namely online information packages, a NDA user guide and regional NDA events.

Board members emphasized the need for: a clear business plan with benchmarks for the Secretariat; and clearly communicating to NDAs that readiness funding for them is now available.

Co-Chair Harboe noted that a trade-off might be needed between the call for more business plans and strategies on the one hand, and more activities on the ground on the other.

Outcome: A report on readiness will be reissued by the end of April 2015 addressing comments of the Board, and the biannual readiness report will be available at GCFB 10, where a new agenda item will be included on assessing the status of readiness support.

STATUS OF THE IRM

The Secretariat presented the status of contributions on Tuesday, recalling that the GCF's authority to commit funds will become effective when 50% of the contributions pledged by the November 2014 pledging meeting are reflected in fully executed contribution agreements/arrangements received by the Secretariat no later than 30 April 2015. He reported that, of the 21 countries that had pledged a total of up to US\$9.3 billion, the Czech Republic, Denmark, Luxembourg and Panama have signed contribution agreements totaling US\$80 million. He stated that the Secretariat intends to create a pledge tracker on the website, to be updated weekly.

Members questioned what the legal implications of missing the 30 April deadline would be, with some expressing optimism the deadline will be met, others asking for a "Plan B," and still others preferring not to enter into discussions that "preempt failure." Members asked the Co-Chairs to reflect on the issue and report back later during the meeting.

The Secretariat updated members on progress on the legal documentation for country contribution agreements, noting three layers: the Interim Trustee arrangement; a set of provisions, or template, applicable to all contributors; and country-specific provisions.

In response to members' concerns that agreements may include earmarking, Cheikhrouhou explained that all agreements will be made publicly available online in the interest of transparency.

Several members provided updates on progress of specific countries and assured the Board that their countries' agreements would not include any earmarking. France, Switzerland, Italy, Spain and the Netherlands noted they are actively working toward their agreements. Japan, the UK and Australia reported that they are working through internal political processes. The US said it would not meet the deadline, given its national budget cycle. Norway, Germany and Sweden expressed confidence they would meet the deadline.

On Tuesday afternoon, Cheikhrouhou explained that if agreements with nine additional countries, currently in process, are signed, 55% of the funds pledged by the November 2014 pledging meeting would be secured.

Co-Chair Harboe said earlier interventions indicated that countries were on track to meet the April deadline to meet their pledges, noting that formulating a Plan B could signal reduced ambition. At his request, Board members gave the Co-Chairs a mandate to assess the situation and take timely action if necessary. A Board member stated for the record that the Co-Chairs would then have to bear responsibility if the deadline is missed, and no fallback strategy is in place.

REPORTS FROM COMMITTEES AND PANELS

On Tuesday afternoon, Co-Chair Quijandria invited Board members to consider the document on reports from committees and panels (GCF/B.09/Inf.04).

An Accreditation Committee member reported that the Committee met twice virtually after the last Board meeting to discuss the accreditation process for implementing entities and intermediaries and the paper on EDA. Noting that the Committee's mandate is coming to an end, he proposed an extension to allow the Committee to oversee the accreditation process.

A member of the Accreditation Technical Panel reported that several important documents on accreditation had been finalized, including application forms, and notes and checklists on the process. On important lessons learned from the first cycle of accreditation, he noted, *inter alia*: the fast-track accreditation process was easier than the normal track; consultants are needed in the accreditation process to reinforce the limited resources available; the process can play a role in institution building; and the process will evolve over time, based on lessons learned from implementation experiences.

A member of the Investment Committee reported that the Committee met three times since GCFB 8 to develop a proposal on sub-criteria and methodology for the initial investment framework (GCF/B.09/07), which suggests two options for assessment methodologies, reflecting divergent viewpoints within the Committee, for discussion by the Board.

A member of the Risk Management Committee reported that the six Committee members had produced two papers for the Board meeting: one on survey methodologies for an initial risk management framework (GCF/B.09/13); and another on financial terms and conditions of the Fund's instruments (GCF/B.09/08).

The Ethics and Audit Committee reported that it held two teleconference calls to discuss the appointment of an external auditor for the Fund, and eight meetings on conflicts of interest. The newly appointed external auditor will conduct an audit of the GCF by April 2015. On conflicts of interest, he said the Committee has submitted a policy with bracketed text for consideration by the Board.

The PSAG reported meeting regularly to discuss a work plan for 2015 and recommendations on mobilizing funds at scale, and said it intends to hold two additional meetings in 2015.

Outcome: The report from committees and panels was approved without further comments.

WORK PLAN FOR 2015

This agenda item was discussed on Tuesday afternoon. Co-Chair Harboe presented the work plan for 2015 (GCF/B.09/02), noting its five themes: accreditation;

readiness and preparatory support; proposal approval process and investment framework; crosscutting matters; and institutional matters. He added that the standing agenda item on the status of the IRM would be added, based on Tuesday morning's discussions.

A Board member requested that the work plan be guided by a business plan or investment strategy. Another suggested strengthening: work related to resource mobilization; South-South learning; and accreditation, with a focus on regional balance.

Several Board members noted that the Fund will be judged by its outcomes, and asked for clarity on the steps required to ensure that a robust pipeline of projects is in place by October 2015.

A Civil Society Active Observer urged the Board to consider the agenda item on participation of observers sooner than GCFB 11, emphasizing its importance in ensuring that the Fund's beneficiaries do indeed benefit.

In order to effectively engage private sector actors, the Private Sector Active Observer called for: accrediting more private sector intermediaries; furnishing a statement of risk appetite; and providing clear project proposal application processes.

Board members returned to this issue on Thursday night. Co-Chair Harboe pointed to the overcrowded work plan, asking Board members for suggestions to reduce the number of items on the agenda for GCFB 10 and 11.

Cheikhrouhou listed several items that were essential for GCFB 10, pointing out that the additional items from previous meetings were causing a snowball effect. She urged Board members to indicate what items would be discussed at GCFB 10, to allow the Secretariat to prioritize the preparation of documents.

Board members proposed ways to deal with the work plan, including: increasing the number of days of the remaining 2015 meetings; dealing with some items between Board meetings; having a traffic light system to indicate priorities for agenda items, and indicating the time each item is likely to take; and limiting the addition of new agenda items. Board members and Active Observers proposed items for deletion, as well as items for addition.

Outcome: The Board entrusted the Co-Chairs with taking the proposals into account, and proposing a provisional agenda for GCFB 10.

ANALYSIS OF THE EXPECTED ROLE AND IMPACT OF THE GCF

On Tuesday afternoon, the Secretariat presented an analysis of the expected role and impact of the GCF in its initial results areas, and options for determining investment portfolios based on the outcomes of the IRM (GCF/B.09/06). He identified five potential investment priorities based on the analysis: climate-compatible cities in Asia, Africa, Latin America and Eastern Europe; sustainable climate-smart agriculture, particularly in Africa and Asia with a focus on LDCs; scaling up finance for forests and climate change in Latin America, Asia and Africa; enhancing resilience in SIDS; and transforming energy generation and access in Africa and Asia. He noted the role of the proposed approach in seeking "sweet spots" that align country needs with high potential priorities.

Another representative from the Secretariat, presenting a private sector perspective, said that, *inter alia*: adaptation is a good opportunity to quickly engage the private sector,

given that 5% of global gross domestic product is at risk from climate change; and climate change has been identified as a key mega-trend that could derail global economic wellbeing.

In the discussion that followed, a Board member pointed out that the document on the expected role and impact of the GCF should be read in conjunction with the document on the Fund's investment framework.

Board members raised concerns on, *inter alia*: the targeting of geographical regions for the five investment priorities; the definitions of concepts, such as climate-compatible cities and climate-smart agriculture; setting aside fixed amounts for specific areas; and assumptions and data used in the paper. Some members queried whether adaptation presents a good opportunity to engage the private sector, given its low potential for generating profit. A Board member said the document did not articulate a unique investment strategy for the Fund. Several Board members suggested that the Secretariat requires clearer guidance from the Board.

The Secretariat emphasized that: the paper is a macro-level analysis, and recognizes the importance of taking national circumstances into account when it comes to implementation on the ground; and even if a particular region is not targeted in the potential investment priority, it would not necessarily be excluded from implementing projects that fall under that priority.

A Board member proposed that the investment strategy could be based on the patterns that emerge from proposals submitted by countries, and the evolution of a bottom-up portfolio over time. She said gaps in this strategy could be addressed through calls for proposals. This proposal found support from several Board members as a less abstract and more realistic methodology to design an investment strategy for the Fund, with one member suggesting a two-year period to track the evolving portfolio.

A Civil Society Active Observer called for: the document and investment strategy to be based on a gender and rights-based approach, and on multistakeholder engagement; an ambitious agenda on energy access; and an investment strategy based on the evolution of a bottom-up portfolio.

A Private Sector Active Observer: listed existing interventions, such as microinsurance schemes for rural agriculture, to highlight the private sector's role in adaptation; called on the Board to prioritize "aggregation vehicles" to finance small-scale interventions; and noted that listing specific thematic investment priorities could result in missing opportunities to address crosscutting areas.

Co-Chair Quijandria proposed bilateral discussions to redraft the decision, which was discussed late on Thursday evening.

Outcome: The decision was adopted following further amendments. The adopted decision: takes note of the Secretariat's analysis; and requests the Secretariat to monitor the portfolio, report to the Board and recommend actions to align portfolio composition with the initial results management framework when the portfolio reaches US\$2 billion, but no later than two years after the first funding decision.

POLICY ON ETHICS AND CONFLICTS OF INTEREST FOR THE BOARD

On Tuesday evening, the Secretariat presented the draft Policy on Ethics and Conflicts of Interest for the Board (GCF/B.09/16), prepared by the Ethics and Audit Committee. He underlined the importance of approving the policy to

proceed with accreditation, which will be the Board's first discussion involving external parties with commercial interests, and explained that the scope of the policy initially includes members, alternates and their advisers.

He noted the dual role of members, pointing out that they are aligned with country groups and elected by constituencies in addition to being independent Board members. As such, he explained that the policy requires the disclosure of their functions outside the Fund with relevance to the business of the Fund, which, he said, will not be published online to protect privacy. He said that because Board members may be obligated to disclose information to governments, the Fund may not be able to provide them with certain confidential information.

The discussion on this item continued on Wednesday morning. The Secretariat listed remaining issues in the policy that committee members did not yet agree on related to, *inter alia*, providing confidential information of the Fund to domestic governments in the course of domestic duties.

A Board member raised serious concerns regarding the proposed policy, and asked that a note from his constituency be circulated to Board members before the Co-Chairs consulted and proposed a way forward.

Another Board member highlighted the importance of a strong ethics policy and explained the rationale behind including text on sharing information with domestic governments, saying it was included to cover legal domestic obligations in the event of an enquiry or court case. However, the Board member who expressed concern earlier raised a point of order, saying his constituency was not prepared to discuss the document.

The discussion was postponed until Wednesday afternoon, after the note had been circulated and the Co-Chairs had consulted on a way forward. Several members supported adopting the policy with minor changes, such as asking Board members to declare conflicts of interest after the adoption of the provisional agenda at each Board meeting.

Other members: sought further clarity on whether national policies would supersede Fund policies, and whether Board members would have to recuse themselves from discussions when they are related to an entity that is being discussed; expressed reservations about including advisers in the policy; called for a code of ethics for the Secretariat; and asked if the procedures proposed for dealing with non-compliance are similar to other institutions. A couple of Board members proposed postponing a decision on this issue.

An Ethics and Audit Committee member informed the Board that the Committee had deliberated carefully on the issue of whether Board members were accountable only to the Fund, or also to their governments and constituencies. He said the Committee was of the opinion that members would have useful knowledge of proposals from their constituencies, which they should be allowed to share with the Board.

A Civil Society Active Observer: said the personal interests of members should not undermine decision-making processes; noted that the proposed policy does not address how members will be held to account in the case of non-compliance; and asked what rules would apply to Secretariat experts and observers. She also noted that Board members should not be permitted to accept gifts due to cultural concerns.

The Secretariat noted, *inter alia*, that: the Board had already approved human resources guidelines with strict conflict of interest rules for Secretariat staff; the rules of procedure for the Board also apply to committees; advisers who are formally registered with the Board are included in the code because they are not covered by any other code; experts and panel members are covered by consultant contracts with strict transparency and ethics rules; and declaring a conflict of interest should not necessarily mean the member should recuse him/herself from the discussion.

Cheikhrouhou noted that PSAG members are not currently bound by an ethics code.

An Ethics and Audit Committee member noted that the Committee had decided that the human resources policy is inadequate, and that a new code is required to cover the Executive Director. Based on comments, the Secretariat presented an amended policy, including replacing "undertaking of office" with "declaration of impartiality and confidentiality" in the title.

Outcome: The Board adopted the decision as amended. The decision states that Board members must "comply with the ethical standards and procedures set out herein, in addition to any domestic legal requirements exclusively as they apply to this policy."

FINANCIAL TERMS AND CONDITIONS OF THE FUND'S INSTRUMENTS

On Wednesday morning, Co-Chair Harboe introduced the agenda item on the Financial Terms and Conditions of the Fund's Instruments (GCF/B.09/08), which were updated based on the discussion at GCFB 8. The Secretariat presented the proposed terms for outgoing loans, which would vary depending on the level of concessionality and whether the recipient was public or private. He explained higher concessionality would be used for vulnerable countries, which could be categorized using at least one of the classification systems used by the UNFCCC, Organisation for Economic Co-operation and Development (OECD), World Bank and International Development Association (IDA).

A member from the Risk Management Committee presented the Committee's recommendations on the decision, namely that it include an explicit list of countries eligible for high concessionality and a clause specifying that the concessionality of the loan will be subject to review as part of the evaluation during the funding decision of the Board.

Board members asked for clarifications on: the so-called repayable, or "smart," grants mentioned in the document; how the specific value to be attached to the loans was determined; how the level of indebtedness will be incorporated into determining a loan's terms; and how, under this version, the document allows the Board to determine in which cases a certain instrument should be applied. One member called for linking the interest rate to market rates, rather than instituting a static, defined rate.

While there was general agreement on the need for differentiation, extensive discussions ensued regarding how to determine which countries are particularly vulnerable. Several members supported including an explicit list, while others suggested finding a way to capture the dynamism as economies develop. One member cautioned against prejudging the outcome of other multilateral discussions on

defining middle-income countries. Another member reminded the Board that the GCF is under the UNFCCC and should use its agreed language.

Some Board members suggested either using existing categories with flexibility to revisit the terms before the next replenishment, or mentioning vulnerable countries but leaving the discussion on definitions for a later meeting in 2015. Others felt that specific groups of countries should be mentioned, or a further system of categorization should be developed.

Some members expressed their reservations with using existing categorizations of other institutions, such as the OECD or IDA, which their constituencies had not endorsed.

A member proposed consideration of either specific income levels or the Human Development Index for categorization, instead of using general categories, such as middle-income countries. He opposed the proposal to provide grants to the private sector. Another member proposed categorization based on the type of project or entity, rather than the categorization of countries.

A Board member called for a more detailed discussion on how much of the funding would be made available on a grant basis, and for what purpose.

A Civil Society Active Observer said, *inter alia*, that: the terms for private corporations should not benefit larger corporations to the detriment of micro, small and medium-sized enterprises (MSMEs), as the “credit risk” formula in the proposal implies; the Fund should not contribute to sovereign indebtedness; the term of so-called “grants with repayment contingency” needs clarification; full-cost grant financing should be provided for developing country adaptation measures, not just incremental cost financing; further guidance is required regarding the passing on of concessionality to the final recipients of project or programme financing; and a minimum level of concessionality should be provided for private sector investments.

A Private Sector Active Observer supported the principle of evolving differentiation for countries. He sought clarification on, *inter alia*, whether intermediaries could charge commitment fees, and whether terms would be the same for senior and subordinated loans as stated in the document.

The Secretariat elaborated on five recommendations from the Risk Management Committee: reduce the service fee for high-concessionality countries from 0.5% to 0.25% and the commitment fee from 0.75% to 0.5%; shift the terminology from “other recipients” to “low concessionality” countries; include a list composed of LDCs, SIDS and low-income countries; and include a clause stating that the decision would be reviewed within three years, when the Fund is fully operationalized.

The Secretariat also clarified that smart grants, currently being studied and implemented by other MDBs, would allow the private sector to repay grants if it makes a profit.

Co-Chair Harboe formed an open-ended group to work further on the decision.

The group reported back late on Thursday night, saying compromise text had been found for all but one element of the decision, namely the cases in which high concessionality and low concessionality for the public sector would apply. Given the urgency of the decision for proposal formulation to

begin, the group proposed adopting the other elements with a provision that the Board would consider the remaining element at GCFB 10.

Board members inquired about: the acceptability of grants with “repayment contingency” for the private sector; the basis for the case-by-case decisions for these grants, and for the financial terms and conditions for non-grant instruments to the public sector; and the potential for flexibility regarding the commitment fee.

The text presented by the group was amended to include language requesting the Secretariat to prepare a brief guideline on the application of the case-by-case provision in the financial terms and conditions. In addition, “up to” was added to the commitment fee figures for high and low concessional loans to the public sector contained in an Annex.

Outcome: The Board adopted the decision as amended. The decision, *inter alia*, adopts the financial terms and conditions for grants and concessional loans as contained in an Annex to the decision; states that differentiated concessional terms will be used for public sector loans; and agrees the issue of which public sector loans qualify for high or low concessional terms will be considered at GCFB 10.

The decision also states that the terms and conditions for non-grant instruments to the public sector, other than concessional loans, will be established on a case-by-case basis.

The decision further: states that the use of “grants with repayment contingency” will be limited to the private sector, and all non-grant instruments extended to the private sector will be determined on a case-by-case basis; and calls on the Secretariat to prepare a brief guideline on the application of the case-by-case provision, for consideration by the Board at GCFB 10.

The decision also states that the terms and conditions of the Fund’s instruments will be reviewed by the Board on an annual basis.

FURTHER DEVELOPMENT OF THE INITIAL INVESTMENT FRAMEWORK: SUB-CRITERIA AND METHODOLOGY

On Wednesday morning, the Secretariat presented the document on the further development of the Initial Investment Framework: Sub-Criteria and Methodology (GCF.B.09/07), prepared under the guidance of the Investment Committee. He explained that the framework, which seeks to signal the types of projects the Fund intends to finance while transparently indicating how proposals are assessed, contains four fundamental elements: criteria; coverage areas; sub-criteria; and indicative assessment factors.

Board members discussed the merits of the sub-criteria and assessment factors as presented, as well as the two suggested options for an assessment methodology.

Many members supported Option A, which used indicative minimum benchmarks to determine eligibility and assigned a rating (low, medium, high) to proposals for each criterion. However, several members sought modifications, such as streamlining, clarifying or strengthening the benchmarks and sub-criteria. One Board member requested additional language on gender, inclusivity and strengthening enabling environments.

Members in support of Option B, which did not use benchmarks or a rating scale, expressed concern that Option A may result in discrimination toward proposals from LDCs,

SIDS and Africa. One member proposed that any scale should be applied to compare proposals from comparable countries, instead of comparing proposals from countries with very different levels of development. In addition, a couple of members worried that countries more vulnerable to slow onset climate change events, rather than extreme events, would be disadvantaged by the sub-criterion on “number of people affected by climate change-related natural disasters.”

Several suggestions were made in the spirit of fairly evaluating proposals using country contexts and ensuring direct comparisons are not made between proposals from low- and higher-capacity countries.

Board members supporting Option A outlined a number of reasons to support benchmarks, including to: send a strong signal on GCF transparency and objectivity in decision making; help the Board, Secretariat and ITAP choose proposals on the basis of objective criteria; communicate clearly to proposal developers; and provide a basis for monitoring and evaluation. Some members in support of Option A also supported additional weighting for vulnerable countries, including LDCs and SIDS.

Board members opposed to Option A noted that the benchmarks in this option: were not objective or scientific, and could be viewed as additional conditions on developing countries to access GCF funds; would discourage ambitious intended nationally determined contributions from developing countries at COP 21, if the bar is too high to access funds; would discourage demand; could prove particularly difficult for adaptation projects and programmes; and would add to the time and human resources needed to decide on proposals.

Several members suggested returning the document to the Investment Committee to offer an “Option C” as a compromise between Option A and B, with one member proposing more flexible benchmarks for adaptation based not on outputs, but on broader transformational outcomes.

A Civil Society Active Observer said the proposed benchmarks were vague and lacked ambition, and suggested: indicative benchmarks that are not “gatekeepers of eligibility”; the formulation of an Option C; and a process to develop new benchmarks and an assessment methodology in consultation with civil society. He urged the GCF not to fund activities that exacerbate climate change.

A Private Sector Active Observer: supported Option A, noting that it offered greater clarity and transparent benchmarks to private sector participants; agreed that LDCs need extra weighting rather than separate benchmarks; and asked what the role of intermediaries would be in applying this framework.

Cheikhrouhou said that the absence of transparent benchmarks and clear guidance could result in multiple disputes regarding decisions on proposals.

Co-Chair Quijandria proposed the formation of a small group to work further on the decision. The Board returned to this topic on Thursday night to consider an Option C devised by the group, which included members of the Investment Committee.

A representative from the group explained that the new text: incorporated greater attention to different country, sector and local circumstances; proposed using indicative minimum benchmarks, the elaboration of which would be considered at GCFB 12; and proposed using a scale to assess the quality of

projects. It also called for the Secretariat to apply this scale on an interim basis, using qualitative and quantitative data, until the ratings could be defined.

One member expressed dissatisfaction that his proposal to “reflect differentiation according to LDCs’, SIDS’ and African countries’ project size, mitigation/adaptation, and local and sector circumstances” was omitted at the benchmark level. Some members opposed using the term “differentiation,” saying the language runs counter to the Governing Instrument and the UNFCCC.

Members also raised additional issues, including: requesting deletion of references to using a scale; suggesting the Secretariat be given until GCFB 13 to develop minimum benchmarks; and expressing disappointment that aspirational benchmarks were not included and that the group did not opt for a five-point scale. One member added that he could not accept the omission of a scale. A developing country member stated for the record that he would not block adoption, but wished to disassociate himself from the document, as he had advocated strongly for Option B.

After further consultations, suggested compromise text was presented, which: retains reference to using the three-point scale (low, medium, high); changes GCFB 12 to GCFB 13 to allow the Secretariat more time to develop the benchmarks; and introduces language indicating the Board will annually review the application of the investment framework to address the needs of developing countries. One member stated he could not agree to the document, suggesting it be taken forward to GCFB 10 as a priority item.

With some stressing the importance of taking a decision on this matter at GCFB 9, the meeting broke for informal consultations. Following this, another revision of the document was distributed, which modified language on benchmarks and the assessment scale to reflect the Governing Instrument. The Board adopted the decision with the proposed amendments.

Outcome: The decision states that both benchmarks and the assessment scale should take into account the needs of those developing countries particularly vulnerable to climate change, in particular LDCs, SIDS and African States, while benchmarks should also consider project size, mitigation/adaptation, and local and sector circumstances.

The decision also: agrees to a pilot, where the three-point scale will be used to assess a subset of projects and programmes based on the initial investment criteria; states that the Investment Committee will recommend to the Board to which subset of proposals this will apply; and notes that if the Board is unable to agree to the subset by GCFB 10, the pilot will automatically apply to all medium and large projects.

INITIAL RISK MANAGEMENT FRAMEWORK: SURVEY OF METHODOLOGIES TO DEFINE AND DETERMINE RISK APPETITE

On Wednesday afternoon, the Secretariat presented the document Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite (GCF/B.09/13). He noted the survey included credit-funded lending institutions, grant-funded lending institutions and grant-making institutions. He demonstrated that generally a higher risk appetite corresponds to higher concessionality.

A number of Board members asked whether the list of institutions that were surveyed could be expanded. Board members also suggested considering risks other than financial,

environmental and climate risk, such as macroeconomic, integrity, compliance and safeguard risks. Members raised questions related to researching risk management for guarantees and equity, and risk sharing with accredited entities.

A Civil Society Active Observer opposed using the same risk appetite for adaptation and mitigation, urging the Fund to take on a higher risk appetite for adaptation. A Private Sector Active Observer advocated referencing another risk, namely that Fund polices and operations are unattractive to private co-investment.

The Secretariat assured the Board that the comments would be taken into consideration during the next steps of producing a draft methodology for determining the initial risk appetite of the Fund and outlining various scenarios using the methodology.

Outcome: The Board formally took note of the document.

CONSIDERATION OF ACCREDITATION PROPOSALS

On Wednesday afternoon, the Secretariat provided an overview of the seven applicants recommended to the Board for accreditation (GCF/B.09/04).

The Chair of the Accreditation Panel recapped the process that was undertaken to select the recommended applicants, noting the detailed fiduciary, environmental and social due diligence undertaken. He noted any gaps found will be corrected with pre-disbursement conditions, and that entities can apply to upgrade their accreditation status in the future.

He further summarized four challenges: applying the GCF's new fit-for-purpose guidelines; identifying the areas in which entities are likely to benefit from capacity building; moving beyond a "tick-box exercise" and recognizing the Fund's fiduciary, social and environment requirements can be met in different ways; and processing the amount of information that has been brought to bear in the application.

Many Board members expressed satisfaction at the speed with which the Panel conducted its work and with the geographical and sectoral diversity of the recommended entities. Without commenting on specific applicants, members posed many questions to the Secretariat and Panel. One requested assurance that: the process was not rushed; no bias existed in favor of international over subnational, national and regional entities; and accredited international entities would bring national entities along with them.

Members asked for clarification on: the duration of accreditation; whether public commentary will be accepted at any point; how transformational change will be created in the applying entities through the accreditation process; and implications of the length of the process for low-capacity organizations that do not qualify for fast-tracking.

Other questions pertained to: matters of confidentiality; presentation of the information about the applicants; relaxing requirements for commercial banks that cannot immediately implement the required policies and procedures; alerting entities to the status of their application; allowing applications in languages other than English; and transparency and accountability in the process.

Several members expressed support for adopting the whole package of nominees, without discussing them individually.

A Civil Society Active Observer voiced concern over the lack of transparency in the process, urging that the applicants be disclosed once a positive recommendation to the Board has been made. A Private Sector Active Observer supported

the process as it stands and the "package" of recommended applicants, noting that accrediting a variety of entities contributes to risk diversification.

The Secretariat emphasized the role of the OAS in ensuring transparency and updating applicants on their status. He noted the process has room for improvement, including in communication, solutions to language barriers and addressing confidentiality issues.

The Accreditation Panel said the entities that are proposed for accreditation satisfy criteria that suggest they can promote both a paradigm shift and sustainable development, although a more systematic and transparent method may be needed in the future. He agreed that: diversity was essential; a template would be a good way to present information to the Board in the future; and a paradigm shift could be brought about not only by financing projects but also by choosing suitable local institutions and building local champions.

Another Panel member listed some of the criteria used to assess fiduciary issues, including: a competitive bidding process; a transparent and effective mechanism to evaluate bids; effective separation of duties of authorization of payments and disbursements; capacity to ensure compliance with procurement processes, and a periodic analysis of these processes; and safeguards against conflicts of interest.

A couple of Board members felt their questions had not yet been answered, such as how a distinction is made between bilateral, national and international entities. A Board member pointed out that this is a policy gap that the Board has not yet addressed.

One member asked whether the accreditation status of an entity could be revoked. Another noted that the criteria for accreditation seem to be heavily weighted in favor of international institutions, in terms of size and operations.

The Secretariat said most applicants for accreditation indicated that the Fund could help them achieve long-term ambitions, and one way to support them would be to work with them under the EDA modality. He said applicants also provided information that indicated their contribution to sustainable development, and that the legal arrangements with the entities allow for revocation of accredited status. He noted that the entities currently proposed for accreditation were mostly on the fast-track because the Board, at its last meeting, had given the Secretariat three months to review fast-track accreditation, and six months to review normal accreditation.

Board members noted that: the lack of previous experience in climate finance should not prevent national and regional institutions from being accredited as long as they meet GCF standards; and entities should not be forced to compete against each other.

Co-Chair Harboe said there would be other opportunities to address some of the policy issues raised on accreditation at this meeting and the next. He proposed a break for further consultations in response to a request to add language to the current text.

The meeting reconvened after the revised text was circulated, proposing that the Secretariat present to the Board, at GCFB 10, a list of direct access entities for approval, keeping in view the need for equitable representation of different geographical areas. The revised text also called: for the list of potential national applicants to be comparable to the international accredited entities approved under the fast-track

process during the same time, in terms of overall scope and size of operations; and for entities to be considered under the EDA pilot programme to be processed under fast-track provisions.

A Board member requested additional text asking the Accreditation Committee to develop a policy regarding the expansion of the scope of activities of national accredited entities from developing countries to operate in other developing countries, to foster South-South cooperation.

In the discussion that followed, Board members proposed deletion of the reference to EDA, saying this element could be dealt with in the decision on the EDA pilot. Some members also said the text as it stands could: hold up the accreditation of international entities until comparable national entities are available; be construed as holding back national entities that do not compare with international entities; and prescribe outcomes to, micromanage or reverse-engineer the accreditation process, undermining the role of the Accreditation Panel. Instead, they proposed language calling for diversity or providing general guidance.

The Board member who had requested the additional text said the intention was not to increase diversity, but to balance the accreditation process that had, thus far, through the fast-track process, favored international entities. He said the current process was not competitive or fair for national entities.

A Board member noted that the fast-track accreditation process was intended to avoid duplication of work, and speed up the accreditation process. He proposed aspirational rather than prescriptive language to encourage the accreditation of national entities.

Cheikhrouhou proposed language on: inviting national and regional entities that operate at scale to apply for accreditation; and calling for a balance between direct access, private sector and national entities.

Responding to countries' concerns that the fast-track process disadvantages national entities, Cheikhrouhou reported that of the seven national entities currently in the application process, two are applying under the fast-track accreditation process, and of the 18 international entities, seven are on the fast-track process.

Several suggestions for outreach to national entities to increase their application numbers were offered. To a point raised by Civil Society, a Board member suggested that the decision include reference to gaining input from recipients of an entity's projects, to verify its track record. On transparency, one Board member suggested allowing the assessment methodology and questions used by the Panel to be publicly published.

Responding to a query from a Board member, Cheikhrouhou clarified that a national development bank that operates outside its own country would, under current policy, be able to apply for international access status. Following consultations that continued late into Wednesday night, revised text was introduced and approved by the Board.

Outcome: The approved decision, *inter alia*, requests the Secretariat to: inform the NDAs and focal points whenever an entity is accredited for operation in their country, and encourage the accredited entities to make contact with the NDA or focal point when they intend to operate outside the countries that nominated them; undertake efforts to have applications ready for consideration and a possible decision on accreditation by the Board at GCFB 10; and provide

recommendations for the fast-tracking of national, regional and private sector entities when identifying other entities that may be eligible to apply under the fast-track process.

A GCF press release announced that the accredited entities are: Centre de suivi écologique, Senegal; Fondo de Promoción de las Áreas Naturales Protegidas del Perú; Secretariat of the Pacific Regional Environment Programme; Acumen Fund, Inc.; Asian Development Bank; Kreditanstalt für Wiederaufbau; and the UN Development Programme.

ADDITIONAL MODALITIES THAT FURTHER ENHANCE DIRECT ACCESS: TERMS OF REFERENCE FOR A PILOT PHASE

The Secretariat presented the document and decision on Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase (GCF/B.09/05). He said the intention is to launch the pilot in 2015, which will devolve decision making to the country level and address the needs of local populations. He said that the draft document calls for five pilot countries to have a national oversight body, and that readiness support would be made available to ensure the countries have robust institutional oversight and multistakeholder arrangements. He added that two of the five selected countries should be from LDCs, SIDS or African States.

Board members expressed strong support for this initiative, with many calling for dedicating more than US\$100 million and longer than two years to the pilot, and some advocating increasing the number of pilot countries. Others suggested it was too early to determine the correct scale of funding before seeing the country proposals. Concerns over the accreditation process for entities from the pilot countries were expressed, including its sequencing with the submission of proposals from countries and the lack of an explicit role for the Accreditation Committee.

Many comments focused on ensuring oversight and accountability, monitoring and evaluating the pilot, and building trust with the partner entities throughout the pilot phase.

While agreeing that EDA should be a signature modality of the Fund, Board members asked for further clarification on: the role of the NDA; precise differences between the EDA and the international access modality; the specific role of the Fund's Accreditation Committee and Panel in the EDA modality; strengthening learning, transparency, information sharing, multistakeholder and gender elements in EDA; and whether funds would be provided as grants or loans.

A Civil Society Active Observer called for: further emphasis on local and devolved decision making along with multistakeholder engagement; strengthened learning objectives; and the devolution of decision making not only to the NDA, but also to other in-country stakeholders, in particular affected communities and disadvantaged or marginalized populations.

A Private Sector Active Observer proposed mainstreaming EDA as a second track of the Fund from the start, instead of launching it as a pilot.

In response to these questions, the Secretariat proposed, *inter alia*: that NDAs should drive the preparation of proposals; a national oversight body could help ensure increased multistakeholder participation under EDA; the EDA modality should rely on existing frameworks of the Fund to the extent possible, including for oversight, accountability, monitoring and assessment; and the Accreditation Committee and Panel should be involved.

Outcome: The matter was not taken up again due to time constraints and will be discussed at a future meeting.

LEGAL AND FORMAL ARRANGEMENTS WITH ACCREDITED ENTITIES

On Thursday morning, the Board considered legal and formal arrangements with accredited entities (GCF/B.09/03), with the Secretariat presenting the proposed accreditation master agreement (AMA), which would set out the terms of the relationship, to be complemented with a brief project confirmation.

He emphasized the need for flexibility as the Fund develops and new policies are adopted. In order to ensure that finalizing a privileges and immunities agreement, as required by the AMA, is not an undue barrier to developing countries, he suggested *ad hoc* arrangements could be used in the interim to ensure funding can be disbursed and projects started.

Members dwelled largely on the issue of privileges and immunities, with many advocating, or amenable to, deleting the restriction limiting implementation to countries that have entered into a bilateral agreement with the Fund on privileges and immunities. Some underlined that all countries, not just developing countries, should sign the agreements; others suggested the UNFCCC COP should provide a multilateral agreement on this issue. A couple of members suggested the agenda item on privileges and immunities should be discussed before continuing the debate on the AMA.

Members also raised concerns about: the definitions used for “accredited,” “intermediary” and “implementing” entities; the proposed *ad hoc* arrangements to be used in the interim; and the use of national versus international law.

Following a concern regarding transparency raised by a Civil Society Active Observer, one member requested inserting in the decision that all legal arrangements will be made publicly available on the Fund’s website.

The topic was discussed again on Thursday evening, when the Secretariat returned with an amended decision. Board members suggested further changes, including adding a potential fixed term for accreditation, for the Board to consider at GCFB 10. The amended text includes, *inter alia*, deletion of: text authorizing the Executive Director to enter into other agreements in connection with the implementation of the decision’s agreements; and the paragraph on privileges and immunities in the AMA.

Outcome: The decision was adopted as amended, and includes new language requesting the Secretariat to regularly inform the Board on the decision’s implementation. The agreed outcome also includes additional language in the AMA, *inter alia*, on: a fit-for-purpose approach; the right to instruct the accredited entity to reclaim funds under certain circumstances of breach of fiduciary standards; and the right of the Fund to suspend accreditation on the basis of the periodic or *ad hoc* review.

PSF: POTENTIAL APPROACHES TO MOBILIZING FUNDING AT SCALE, AND WORKING WITH LOCAL PRIVATE ENTITIES, INCLUDING SMES

On Thursday morning, Co-Chair Quijandria invited Board members to consider the following two agenda items on the PSF together: potential approaches to mobilizing funding at scale (GCF/B.09/11/Rev.01); and working with local private entities, including SMEs (GCF/B.09/12).

Presenting on potential approaches to mobilizing funding at scale, the Secretariat addressed the source and destination of funds. On potential destinations, he noted a US\$300 billion annual gap in funding for energy efficiency, and a 40% water shortfall in developing countries by 2030. On sources, he identified: pension, insurance and investment funds; loans and bonds; and crowdfunding. He listed accrediting the right intermediaries, creating an inclusive community, and positive investor experience as operational requirements to create the right conditions, and highlighted non-binding “letters of intent” as a means of engaging in good faith.

On working with local private entities, including SMEs, the Secretariat noted that large local corporations have better access to finance than SMEs, and proposed a US\$100 million pilot project for SMEs, with a US\$50 million cap on projects.

Many Board members welcomed both papers. On mobilizing finance, Board members called for: the PSF to play a role in enhancing enabling environments, such as ensuring regulatory certainty; consideration of instruments developed by the Global Innovation Lab for Climate Finance; drawing on available expertise, including the PSAG; consideration of the Fund’s liability for PSF investments; and ensuring risk monitoring.

A Board member described the PSF as one of the innovative features of the GCF and a game changer. Another member, supported by a Civil Society Active Observer, felt a decision on mobilizing funding at scale was premature because the GCF still lacks both the experience and the credit rating to attract investments.

While some members felt crowdfunding should not be considered at this stage as it is unlikely to raise sizeable funds and may carry risks, others said it could play a role in increasing the GCF’s visibility and engaging with grassroots entities.

On SMEs, Board members called for: reducing the US\$50 million cap to allow for more projects; more information on the scope of the proposed pilot; increasing the portion earmarked for capacity building of SMEs; consideration of currency risks; inclusion of microenterprises and a gender focus; considering equity over credit lines for SMEs; inclusion of clear definitions for MSMEs; consideration of how pilots will be prioritized in LDCs, SIDS and African countries; capturing lessons to assess the scalability and replicability of pilots; clearly connecting the mobilization of funds to the goals of the GCF; and being cognizant of a potential crowding out of other sources of finance.

A Private Sector Active Observer cautioned that language referring to a “sustained track record of financial and commercial viability” for SMEs risks disadvantaging start-ups.

Cheikhrouhou proposed retabling the papers at the first Board meeting in 2016, which she indicated would help ensure that the Secretariat has the capacity to comply with the Board’s mandates that have a fixed October deadline.

On the draft decision, several members suggested: asking the PSAG for further development of the various modality options, with explanations of barriers and detailed proposals; moving forward on a request for proposals; and requesting reports between and at meetings if Cheikhrouhou’s proposal was accepted. Board members decided against Cheikhrouhou’s proposal.

Many Board members agreed the decision needed to be more action oriented and specify next steps, while others commented that Board decisions should not be too prescriptive.

Board members discussed the potential risk of issuing a letter of intent to “potentially accredited entities.” They agreed that the Secretariat, in consultation with PSAG, would revise the text for consideration, and adopted a revised draft decision.

Outcome: The Board adopted a revised draft decision, which requests the Secretariat to, *inter alia*: aim to achieve a diverse balance in accredited private entities; produce a regular report on PSF activities for the Board; and submit, at GCFB 11, the request for a proposal to implement the SME programme, and an outline of activities to mobilize resources at scale.

The decision calls on PSAG to present, at GCFB 10, additional recommendations on the establishment of an SME programme and for activities regarding mobilizing resources at scale, including modalities for issuing requests for proposals.

The decision also notes that the Secretariat may issue, after informing the relevant NDA, non-binding letters of intent as needed to accredited or potentially accredited entities. The decision includes a provision explicitly stating that the process would not influence the accreditation process. The Secretariat, during the discussions, noted that this should be the one binding element in an otherwise non-binding letter of intent.

TERMS OF REFERENCE OF THE ITAP

The Secretariat presented a document and decision on the TOR for the ITAP (GCF/B.09/09) on Thursday evening. He said the Panel will be involved in carrying out an independent assessment of proposals based on the Fund’s investment criteria and making recommendations, after the Secretariat has made safeguard checks. The comments and recommendations of the Secretariat and Panel will then be compiled and sent to the Board. He highlighted the urgency of the TOR, saying delays in establishing the panel would impact the Board’s goal of considering proposals at GCFB 11.

Board members said: four members would be too few and proposed six; the Executive Director should consult the Ethics Committee or the Board before terminating contracts with panel members; the two-week deadline for review of proposals could be relaxed to “about” two weeks; and a roster of experts should be established to help with the proposal.

They also noted that: the US\$10 million threshold for proposals to be reviewed by the ITAP could be considered arbitrary and, at least in the beginning, the ITAP should review all proposals; proposal assessments should be published on the GCF website; the panel should be balanced between developed and developing countries, and in terms of gender; ITAP members should be subject to the code of ethics; the ITAP should support other work of the Board and its Investment Committee; the number of consultants hired by the ITAP should be limited to a specific number; the ITAP should be involved during the process of preparing concept notes; and the ITAP should seek stakeholder input.

A Civil Society Active Observer called for: the inclusion of civil society in the panel and in the roster of experts; clarity on the role of the Secretariat in the appraisal process; and consistency in the definition of small and medium projects.

A Private Sector Active Observer called for the ITAP to engage with the Climate Technology Centre and Network (CTCN).

Board members asked about: budget implications of the panel; how to publicize the call for candidates for the panel; and the length of the term for panel members.

The Secretariat responded that: the US\$10 million threshold was based on a document prepared for the Board on the simplification of the proposal approval process, especially for small and medium projects; the Fund would work closely with all thematic bodies of the UNFCCC, but there were currently no formal arrangements with the CTCN; panel members would serve for three years; and although no precise budget exists yet, the experience of other funds indicates that significant resources would be required.

Co-Chair Quijandria proposed that the Secretariat work on the document to address the comments made. The Secretariat presented revised text early Friday morning.

Outcome: The revised decision and TOR were adopted and include the following changes: increasing the number of panel members to six; indicating a linkage with the initial investment framework; explaining that the ITAP may seek guidance from stakeholders as needed; calling for gender balance on the panel; delegating the Integrity Unit’s duties to the GCF’s General Counsel until the Unit is established; gradually establishing the roster of experts; specifying that the ITAP will not be responsible for reviewing small-scale projects to ease their workload; and indicating that the Board will discuss the nature of the simplified process for approving projects under US\$10 million at GCFB 10.

GENDER POLICY AND ACTION PLAN

On Thursday evening, Co-Chair Quijandria opened the item on the gender policy and action plan (GCF/B.09/10). The Secretariat noted the policy’s six priority areas are: commitment to gender equality and equity; inclusiveness in terms of applicability of all the Fund’s activities; accountability for the gender and climate change results and impacts; country ownership in terms of inclusive stakeholder participation and alignment with national policies and priorities; competencies to reach gender balance throughout the Fund’s institutional framework; and equitable resource allocation contributing to gender equality and women’s empowerment.

Many Board members, supported by a Civil Society Active Observer and a Private Sector Active Observer, advocated adopting the policy and action plan, while also noting room for improvement.

Among their suggestions were insertions on: redrafting the section on interaction with NDAs and focal points to ensure the core partners in implementation are countries; the role of the policy on the GCF’s advocacy efforts; sufficient budgetary resources for the policy’s implementation; reference to an advisory group to assist the Secretariat; and risk analysis that identifies potential gender risk in the implementation phase. A Civil Society Active Observer suggested, *inter alia*, specifying that the work should be the responsibility of the Secretariat and not be outsourced, and integrating gender considerations into staff evaluations.

Outcome: The decision was adopted with amendments stating that the policy and plan are “interim,” and that the gender specialist, to be hired per the plan, will work on improving them in consultation with accredited CSOs and taking into account submissions from Board members. The text also specifies that the Board will review the interim policy and the suggested improvements at GCFB 12.

Language was added indicating that the Board acknowledges “the progress made in advancing gender balance and gender equality within the context of climate change policies and in line with the individual country circumstances when applying said policy.”

INITIAL TERM OF BOARD MEMBERSHIP

On Thursday evening, Co-Chair Quijandria opened discussion on the initial term of Board membership (GCF/B.09/20), with the Secretariat explaining that Board members’ and alternates’ three-year terms expire on 23 August 2015, and that several arguments had been made for aligning terms with the calendar year. He suggested taking a decision to extend the initial term to 31 December 2015, with new terms to start on 1 January 2016.

Several Board members explained the merits of aligning terms with the calendar year, pointing out that: the African constituency elects its members at the COP in December; if constituencies cannot come to agreement on their members, the Board risks lacking a quorum at the October 2015 meeting or perhaps not being able to convene at all; maintaining institutional memory will be important for the key October meeting; and having Co-Chairs serve for one year, ending with reporting to the COP, makes sense. One Board member noted that institutional memory would be better served if Board members were not all replaced at the same time.

One Board member suggested scrapping the decision text and replacing it with language deciding that Board members and alternate Board members whose terms expire on 23 August 2015 shall continue their functions until their successors have been selected, but not beyond 31 December 2015.

Board members questioned whether this would constitute “self-election” and set a bad precedent. The Secretariat explained this is fully within what is allowed under the Governing Instrument.

With concerns remaining that constituency input should be sought, Co-Chair Quijandria announced a revision of the decision, using the text suggested and taking into account further comments, would be issued for consideration later on Thursday evening.

Outcome: The Secretariat presented an amended draft decision, which was adopted following small changes.

The decision states that: existing Board members, members serving on the Accreditation, Risk Management and Investment Committees and on PSAG, and representatives from Active Observers shall continue beyond the end of their term on 23 August 2015, until new Board members have been selected; new Board members are expected to be selected no later than 31 December 2015; the Secretariat would convey these principles to UNFCCC Parties; and the principles would be considered further at GCFB 10.

DATE AND VENUE OF GCFB 10

The agenda item on the date and venue of GCFB 10 (GCF/B.09/21) was discussed in the early morning hours of Friday. Acknowledging some members’ requests that four days be allotted to future meetings, the Secretariat proposed changing the dates of the meeting to 6-9 July 2015, and that GCFB 10 be held in Songdo, Republic of Korea, as originally planned. The Board adopted the decision with the amended dates.

OTHER MATTERS

The Secretariat introduced the document and decision on the establishment and TOR of the Appointment Committee (GCF/B.09/22), reminding the Board that it had requested the Secretariat to present draft TOR for a Board committee to assist in the appointments, performance reviews, salary decisions and accountability of the Heads of the Evaluation Unit, Integrity Unit and the Redress Mechanism, as well as the Executive Director. He said the Board had not been able to address this matter due to the GCFB’s heavy workload, but highlighted the urgency of having the three accountability mechanisms in place, given the time schedule set for the Fund to commence operations. He urged the Board to allow the establishment of an *ad hoc* appointment committee with a limited mandate to proceed with appointing the three unit heads. One Board member requested recording a statement on behalf of his constituency calling for further clarity on the oversight of remuneration of staff as part of the administrative guidelines for human resources.

Outcome: The decision, which was adopted: establishes an *ad-hoc* Appointment Committee, and requests it to present the TORs for the three Heads to GCFB 10; and decides that the Board will consider the establishment of a standing Appointment Committee at GCFB 11.

CLOSURE OF THE MEETING

Co-Chair Harboe said the ninth meeting had taken an important step forward with the accreditation of entities for the first time. He closed the meeting at 4:22 am on Friday, 27 March.

UPCOMING MEETINGS

35th Meeting of the OEWG of the Parties to the Montreal Protocol: This meeting will be preceded by a two-day meeting on hydrofluorocarbon management on 20 and 21 April 2015. **dates:** 22-24 April 2015 **location:** Bangkok, Thailand **contact:** Dan Teng’o **e-mail:** dan.tengo@unep.org **www:** <http://conf.montreal-protocol.org/meeting/oewg/oewg-35/default.aspx>

Climate and Clean Air Coalition (CCAC) High-Level Assembly: The CCAC High-Level Assembly will evaluate the CCAC’s progress, provide input on the direction of the CCAC’s future work, and learn about the latest policy and scientific developments related to short-lived climate pollutants. **dates:** 20 May 2015 **location:** Geneva, Switzerland **contact:** CCAC Secretariat **phone:** +33-1-44-37-14-50 **fax:** +33-1-44-37-14-74 **email:** ccac_secretariat@unep.org **www:** <http://www.ccacoalition.org/>

Business and Climate Summit: The Business and Climate Summit will provide a platform to highlight business solutions towards a low-carbon economy and discuss the frameworks and policies needed to deploy low-carbon solutions. **dates:** 20-21 May 2015 **venue:** UNESCO headquarters **location:** Paris, Ile-De-France, France **e-mail:** contact@businessclimatesummit.com **www:** <http://www.businessclimatesummit.com>

17th Session of the World Meteorological Organization (WMO) Congress: The 17th session of the WMO Congress will discuss, *inter alia*: the WMO strategic plan for 2016-2019; the post-2015 development agenda; aeronautical meteorology; disaster risk reduction; and gender mainstreaming. **dates:** 25 May - 12 June 2015 **location:** Geneva, Switzerland **contact:**

WMO Secretariat **phone:** +41-22-7308111 **fax:** +41-22-7308181 **email:** wmo@wmo.int **www:** <https://sites.google.com/a/wmo.int/cg-17/>

Sixth Clean Energy Ministerial (CEM6): Twenty-three participating governments will send energy ministers and representatives to the sixth Clean Energy Ministerial (CEM) to assess progress, decide on a plan for how the forum can be more ambitious and effective, and demonstrate how they are advancing national clean energy goals. **dates:** 27-28 May 2015 **location:** Merida, Mexico **contact:** CEM Secretariat **e-mail:** <http://www.cleanenergyministerial.org/Contact-Us> **www:** <http://www.cleanenergyministerial.org/Events/CEM6>

42nd Sessions of the UNFCCC Subsidiary Bodies: The 42nd sessions of the Subsidiary Bodies to the UNFCCC and the ninth part of the second session of the *Ad Hoc* Working Group on the Durban Platform for Enhanced Action (ADP) will take place in June 2015. **dates:** 1-11 June 2015 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

48th Meeting of the GEF Council: The GEF Council meets twice per year to approve new projects with global environmental benefits in the GEF's focal areas, and to provide guidance to the GEF Secretariat and Agencies. A GEF Council consultation with civil society organizations will precede the Council meeting on 1 June 2015. **dates:** 2-4 June 2015 **location:** Washington DC, US **contact:** GEF Secretariat **www:** <http://www.thegef.org/gef/node/10108>

18th Meeting of the LDCF/SCCF Council: The 18th meeting of the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) Council will be held on 4 June 2015, in Washington DC, US, in parallel with the 48th meeting of the GEF Council. **date:** 4 June 2015 **location:** Washington DC, US **contact:** GEF Secretariat **phone:** +1-202-473-0508 **fax:** +1-202-522-3240/3245 **e-mail:** secretariat@thegef.org **www:** <http://www.thegef.org/gef/node/10943>

High-level Event on Climate Change: The President of the UN General Assembly will convene this high-level event, with the aim of giving momentum and adding impetus to efforts to reach a global climate agreement in 2015 under the UNFCCC. **date:** 29 June 2015 **location:** UN Headquarters, New York **contact:** Office of the President of the UN General Assembly **www:** <http://www.un.org/pga/calendar/>

Our Common Future under Climate Change: Organized by the UN Educational, Scientific and Cultural Organization (UNESCO) and others, in collaboration with a partnership of French organizations, this science-focused conference will examine the latest research around climate change. **dates:** 7-10 July 2015 **location:** Paris, France **contact:** Conference Secretariat **email:** science@commonfuture-paris2015.org **www:** <http://www.commonfuture-paris2015.org/>

GCFB 10: The agenda for GCFB 10 will be available later on the Fund's website. **dates:** 6-9 July 2015 **location:** Songdo, Republic of Korea **email:** secretariat@gcfund.org **www:** www.gcfund.org

ADP 3: The third session of the ADP is expected to convene in late August. **dates:** 31 August - 4 September 2015 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

CCAC Working Group Meeting: The CCAC Working Group will continue its work in guiding the CCAC's cooperative actions. **dates:** Second week in September, exact dates TBA **location:** TBA **contact:** CCAC Secretariat **phone:** +33-1-44-37-14-50 **fax:** +33-1-44-37-14-74 **email:** ccac_secretariat@unep.org **www:** <http://www.ccacoalition.org/>

IPCC 42: The Intergovernmental Panel on Climate Change is expected to elect a new Chair and Bureau at its 42nd session. **dates:** 5-8 October 2015 **location:** Dubrovnik, Croatia **contact:** IPCC Secretariat **phone:** +41-22-730-8208/54/84 **fax:** +41-22-730-8025/13 **email:** IPCC-Sec@wmo.int **www:** <http://www.ipcc.ch>

ADP 4: The fourth session of the ADP is expected to convene in October 2015. **dates:** 19-23 October 2015 **location:** Bonn, Germany **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

GCFB 11: GCFB 11 is expected to convene in October 2015. **dates:** 27-29 October 2015 (tentative) **location:** Songdo, Republic of Korea **email:** secretariat@gcfund.org **www:** www.gcfund.org

UNFCCC COP 21: The 21st session of the COP to the UNFCCC and associated meetings will take place in Paris, where delegates are expected to agree on a new climate deal. **dates:** 30 November – 11 December 2015 **location:** Paris, France **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://www.unfccc.int>

GLOSSARY

AMA	Accreditation master agreement
COP	Conference of the Parties
CTCN	Climate Technology Centre and Network
EDA	Enhanced direct access
GCF	Green Climate Fund
GCFB	Green Climate Fund Board
GEF	Global Environment Facility
IDA	International Development Association
IRM	Initial resource mobilization
ITAP	Independent Technical Advisory Panel
LDCs	Least developed countries
MDBs	Multilateral development banks
MSMEs	Micro, small and medium-sized enterprises
NDA	National Designated Authority
OAS	Online Accreditation System
OECD	Organisation for Economic Co-operation and Development
PSAG	Private Sector Advisory Group
PSF	Private Sector Facility
SIDS	Small island developing States
SMEs	Small and medium-sized enterprises
TOR	Terms of reference
UNFCCC	United Nations Framework Convention on Climate Change