



**GREEN
CLIMATE
FUND**

Meeting of the Board
30 September – 2 October 2017
Cairo, Arab Republic of Egypt
Provisional agenda item 7

GCF/B.18/Inf.02

13 September 2017

Reports from committees, panels and groups of the Board of the Green Climate Fund

Summary

This document contains the reports on activities that have already been conducted or are planned to be undertaken by the following committees and panels of the Board of the Green Climate Fund during the reporting period from June to mid-August 2017:

- (a) Risk Management Committee; and
- (b) Independent Technical Advisory Panel.

I. Introduction

1. This report covers the reporting period of June to August 2017, and also identifies activities planned to be carried out by the committees and panels of the Board of the Green Climate Fund in advance of its eighteenth meeting (B.18).

II. Report on Activities of the Risk Management Committee

2. In decision B.12/34, the Board requested the Risk Management Committee (RMC), with support from the Secretariat, to prepare and present to the Board for its consideration, an updated set of risk policies and guidelines that include internal risk rating methodologies, which should consider a differentiation of risks between adaptation and mitigation.

3. In decision B.13/36, the interim risk and investment guidelines would expire at the earlier of either: (i) the sixteenth meeting of the Board; or (ii) the adoption of an updated set of risk policies and guidelines as determined by decision B.12/34.

4. The Board, through decision B.BM-2017/02, decided “that the interim risk and investment guidelines adopted pursuant to decision B.13/36, paragraph (a) will expire at the earlier of either: (i) the eighteenth meeting of the Board; or (ii) the adoption of an updated set of risk policies and guidelines”. In accordance with the Work Plan of the Board 2017 adopted in decision B.BM-2017/02, the first set of components of the RMF is to be considered at B.17, and additional components of the RMF are to be considered at B.18.

5. Through decision B.17/11, the Board adopted the first set of components of the RMF which included the revised risk register, risk appetite statement, risk dashboard, and risk guidelines for funding proposals. The Board also requested that the Secretariat further develop the risk dashboard and the underlying methodologies particularly on the approach to reporting on country concentration for consideration by the Board at B.18. In addition, the Board requested the Secretariat to continue with the development of appropriate risk rating models with the support from an external professional service provider and in consultation with the RMC. The risk rating models will be presented for consideration by the Board at B.19.

6. In decision B.12/31 (d), the Board requested that the Executive Director regard the template Accreditation Master Agreement as the basis for negotiations with accredited entities. The Executive Director will determine, in consultation with the risk and legal teams, and the RMC, whether a change is considered substantive on a case-by-case basis, and would require Board approval.

2.1 Activities during the reporting period

7. In the reporting period June to mid-August 2017, six formal sessions of the RMC were held. The purpose of the meetings was to discuss and provide guidance to the Secretariat on the mandates related to risk and compliance given by the Board, including: (i) preparation of the risk management framework (RMF), and its underlying policies, guidelines and tools; (ii) review of compliance-related documents; and (iii) Accreditation Master Agreement (AMA) consultation.

8. Following the adoption of the first set of components of the RMF through decision B.17/11 in July 2017, the Risk Management Committee reviewed the following documents:

- (a) Risk dashboard with a revised approach to country concentration reporting;
- (b) Non-financial risk policy;

- (c) Funding risk policy; and the
- (d) Investment risk policy.

9. Following the review of the above components of the RMF, the RMC decided to submit them to the Board for its consideration at B.18.

10. In addition, the initial investment framework approved through decision B.07/06, paragraph (a), and contained in annex XIV to document GCF/B.07/11 states that funding received and extended by the Fund will be accounted for in grant-equivalent terms based on a standard methodology, to be developed by the Fund based on best international practices, to provide an accurate comparison of funding amounts between financial instruments. The Secretariat, therefore, developed a grant equivalent calculator with support from the consulting firm Oliver Wyman and provided informational sessions on the grant equivalent calculator to the RMC, the senior management team and divisions within the Secretariat.

11. The RMC reviewed the proposed grant equivalent calculator and agreed that it is a useful tool for the Secretariat's internal review of funding proposals and for portfolio analysis. The RMC, therefore, decided to present the grant equivalent calculator to the Board for informational purposes at B.18.

12. With regards to compliance-related matters, the RMC discussed and provided guidance to the Secretariat on the Anti-Money Laundering and Countering the Financing of Terrorism Policy. The Secretariat also presented updates to the RMC on the ongoing development of the compliance framework.

13. Furthermore, the RMC also reviewed the following AMAs during the reporting period;

- (a) AMA with the Asian Development Bank ("ADB");
- (b) AMA with Conservation International ("CI");
- (c) AMA with National Bank for Agriculture and Rural Development ("NABARD");
- (d) AMA with European Investment Bank ("EIB"); and
- (e) AMA with Central American Bank for Economic Integration ("CABEI").

14. Following the review of the AMAs by the RMC, the RMC agreed with the Secretariat in its assessment that the changes made to the ADB AMA, NABARD AMA, EIB AMA, and CABEI AMA were not substantive and therefore did not require Board approval. The RMC also concurred with the Secretariat in its assessment that a change made in the CI AMA was a substantive deviation from the AMA template and recommended that the CI AMA be presented to the Board for approval at B.17.

2.2 Next Steps

15. Four formal RMC meetings have been scheduled following the end of this reporting period. The RMC may also decide to hold additional meetings in Cairo, Arab Republic of Egypt, during B.18.

III. Report on activities of the independent Technical Advisory Panel

3.1 Activities during the reporting period

16. The independent Technical Advisory Panel (iTAP) continued to review funding proposals and conducted its assessment based on the initial investment framework and guidelines provided through various subsequent decisions. Since the previous reporting period, the iTAP received 11 funding proposals in total for assessment. Among 11 funding proposals, eight are first-time submissions while three are submissions that have been revised since B.17. The iTAP met in Songdo 21-25 August 2017 and finalized the assessments of the 10 funding proposals.

17. In its assessment of the funding proposals, the iTAP continued to engage with the accredited entities. This was done by sending written questions and receiving written responses as well as through a virtual call, or face-to-face meeting to present the assessment of the iTAP and a discussion on possible conditions and recommendations.

3.2 Matters where specific guidance from the Board is sought

18. The iTAP welcomes the Secretariat's initiative to prepare and announce timelines for funding proposal assessment for the forthcoming Board meetings. As suggested in the previous iTAP report, setting timelines in advance is helpful for AEs as well as the Secretariat and iTAP to establish a common work program for effective and efficient preparation and assessment of funding proposals. The iTAP has observed funding proposals containing a large volume of attachments. Anticipating the number of funding proposals to grow, the iTAP requests that the timelines are followed to ensure quality assessment of funding proposals. The iTAP notes that all funding proposals for B.19 will be forward to iTAP no later than 18 December 2017. The iTAP wishes to engage into discussion with the Secretariat to prepare timelines for B.20 and thereafter.

19. The iTAP remains concerned that there were cases where incomplete funding proposals were presented by AE through the Secretariat. The iTAP requests that the Secretariat, as a part of its secondary due diligence, ensures all funding proposals, including attachments and supplementary information, are submitted by AEs and forwarded to iTAP are presented in English. The iTAP also requests that AEs ensure studies, plans, and information which are fundamental to underpin feasibility and viability of the project to be included in the funding proposals.

20. The iTAP has engaged into discussion with Independent Evaluation Unit to disseminate its lessons learned to assist AEs in preparation of funding proposals.
