



GREEN
CLIMATE
FUND

Report of the Private Sector Advisory Group to the Board of the Green Climate Fund

GCF/B.08/43

17 October 2014

Meeting of the Board

14-17 October 2014

Bridgetown, Barbados

Agenda item 5

Recommended Action by the Board

The Private Sector Advisory Group recommends that the Board:

Take note of the information contained in the report GCF/B.08/43 *Report of the Private Sector Advisory Group to the Board of the Green Climate Fund*.

Report of the Private Sector Advisory Group to the Board of the Green Climate Fund

Introduction

The Annex of this document contains the report of the Private Sector Advisory Group (PSAG) to the Board of the Green Climate Fund. This report is included as received from the PSAG without changes or editing, including the title of the document.

Annex

Report of the Private Sector Advisory Group to the Board of the Green Climate Fund

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I. Introduction

1. The Board of the Green Climate Fund established the Private Sector Advisory Group (PSAG) to make recommendations to the Board on Fund-wide engagement with the private sector and modalities to that end (Decision B.04/08 paragraph (i)). The Board adopted the Terms of Reference adopted by the Board in Decision B.05/13 paragraph (k-h)).
2. The first meeting of the PSAG took place in April 2014 in Geneva, Switzerland. The Board agreed that the report of the first PSAG meeting (GCF/B.07/10) would be taken up the Board at its eighth meeting (Decision B.07/08 paragraph (e) (ii)).

II. Report of the Second PSAG meeting

3. The second meeting of the PSAG took place from 10-12 September 2014 in Cape Town, South Africa. South Africa's Department of Environmental Affairs hosted the meeting.
4. The meeting was Co-Chaired by Zaheer Fakir and Stefan Schwager.
5. The following PSAG members attended the meeting: Amal-Lee Amin, Hiro Tezuka, Kevin Whitfield, Rodrigo Violic, Inderpreet Wadhwa, Dipal Barua, Aurelio Souza, Zaheer Fakir, Stefan Schwager and Alex Severns. Apologies were received from PSAG members unable to attend the meeting: Torben Moger Pedersen, Jay Koh, and David Bresch. Jay Koh was able to attend some portions of the meeting by video conference. The Board's Active Observers from the private sector, Gwenyth Andrews and Abyd Karmali, and the civil society Active Observer, Brandon Wu, also attended the meeting. Mike Gabisch, Brett Barstow and Pierre Larroque represented the GCF Secretariat.

III. PSAG Recommendations to the Board

3.1 Potential Approaches for Mobilizing Resources at Scale

6. At its fourth meeting, as part of its deliberations on the business model framework of the Fund, the Board acknowledged the need to mobilize funds at scale from, *inter alia*, institutional investors such as pension funds and sovereign wealth funds, and to design modalities to that end (Decision B.04/08 paragraph (f)).
7. At its seventh meeting, the Board decided that it will consider further work on the modalities of the Private Sector Facility, including modalities for mobilizing private sector resources at scale by the Private Sector Facility at its eighth meeting (Decision B.07/08 paragraph (e) (i)). The Board requested the Private Sector Advisory Group to make recommendations on modalities and instruments to mobilize private resources at scale including through special financing vehicles or instruments, including risk mitigation instruments (Decision B.07/08 paragraph (f) (ii)).
8. The PSAG discussed this matter and provided recommendations to the Board as GCF/B.08/37. In addition Members of the PSAG provided comments directly to the GCF Secretariat in relation to the preparation of documentation for the eighth session of the Board as contained in GCF/B.08/13.

3.2 Use of Other Financial Instruments

9. At its fourth meeting, as part of its deliberations on the business model framework of the Fund, the Board acknowledged the need to mobilize funds at scale from, *inter alia*, institutional investors such as pension funds and sovereign wealth funds, and to design modalities to that end (Decision B.04/08 paragraph (f)).

10. At its seventh meeting, the Board decided that it will consider further work on the modalities of the Private Sector Facility, including modalities for mobilizing private sector resources at scale by the Private Sector Facility at its eighth meeting (Decision B.07/08 paragraph (e) (i)). The Board requested the Private Sector Advisory Group to make recommendations on modalities and instruments to mobilize private resources at scale including through special financing vehicles or instruments, including risk mitigation instruments (Decision B.07/08 paragraph (f) (ii)).

11. The PSAG discussed this matter and provided recommendations to the Board as GCF/B.08/38. Members of the PSAG provided comments directly to the GCF Secretariat in relation to the preparation of documentation for the eighth session of the Board as contained in GCF/B.08/12.

3.3 Working with Local Private Sector Entities, including small and medium sized enterprises

12. At its seventh meeting, the Board requested the Private Sector Advisory Group to make recommendations on modalities to promote participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries in small island developing States, least developed countries and Africa, and with a special emphasis on adaptation (Decision B.07/08 paragraph (f) (i)).

13. The PSAG discussed this matter and provided recommendations to the Board as GCF/B.08/40. Members of the PSAG provided comments directly to the GCF Secretariat in relation to the preparation of documentation for the eighth session of the Board as contained in GCF/B.08/14.

3.4 Relevant International Private Sector Best Practice Fiduciary Principles and Standards and Environmental and Social Safeguards

14. At its seventh meeting, the Board in its decision B.07/02 adopted: the initial guiding framework for the Fund's accreditation process as contained in Annex I to document GCF/B.07/11, which also applies to private sector entities; and the initial fiduciary principles and standards contained in Annex II to document GCF/B.07/11. The Board also adopted on an interim basis, the Performance Standards of the International Finance Corporation (IFC), as contained in Annex III to document GCF/B.07/11. In particular the Board requested the newly established Accreditation governance structures (Committee and Expert Panel) to consult with the PSAG on a work program on complementarity and coherence with the accreditation systems and processes of other relevant funds, as well as relevant private sector associations (paragraph k (ii)); and the identification of potential relevant private sector international best practice fiduciary principles or standards and ESS, and an assessment of gaps against the Fund's initial fiduciary standards and interim environmental and social safeguards (ESS) (paragraph (m)).

15. The PSAG was not consulted by the Accreditation Committee on this matter, and as such was not able to provide recommendations to the Board. Members of the PSAG provided

comments directly to the GCF Secretariat in relation to the preparation of documentation for the eighth session of the Board as contained in GCF/B.08/05.

3.5 Initial Recommendation on the Fund's Risk Appetite

16. In its Decision B.07/05, the Board adopted the Fund's initial financial risk management framework. The Board requested the Secretariat, in consultation with the Risk Management Committee, to prepare an analysis of the Fund's potential risk appetite under different key assumptions as part of its financial risk management framework.

17. The PSAG discussed this matter and provided recommendations to the Board as GCF/B.08/41.
