



**GREEN
CLIMATE
FUND**

Meeting of the Board
28 – 30 June 2016
Songdo, Incheon, Republic of Korea
Provisional Agenda Item 7

GCF/B.13/Inf.03/Add.02

25 June 2016

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

Summary

This document contains the report on activities of the following committee of the Board of the Green Climate Fund for the reporting period March 2016 to May 2016:

- (a) Accreditation Committee;
- (b) Accreditation Panel;
- (c) Budget Committee;
- (d) Ethics and Audit Committee and;
- (e) Private Sector Advisory Group.

I. Report on Activities of the Accreditation Committee

1.1 Introduction

1. The report addresses the mandate given to the Accreditation Committee (AC) in decision B.07/02, paragraph (e) to provide policy guidance to the Board on accreditation-related matters. The report addresses specific guidance from the Board requesting the AC to work on a strategy on accreditation for consideration by the Board with the support of the Secretariat, in accordance with decision B.10/06.

2. This report covers the reporting period from March 2016 to the end of May 2016, and also indicates activities planned to be carried out by the AC of the Board of the Green Climate Fund (GCF).¹

1.2 Activities during the reporting period

3. H. E. Mrs. Diann Black-Lane was appointed as the Chair of the AC in a unanimous decision by members of the AC in an in-person meeting at the beginning of March 2016.

5. The AC members met with the Accreditation Panel (AP) at the beginning of March 2016 and discussed matters related to improving the efficiency and effectiveness of the accreditation process. At this point the AC would like to bring to the attention of the Board that the current list of entities within the pipeline will take four to eight years to process if the current process is not further streamlined. The proposed strategy on accreditation seeks to build on best practices and to make recommendations on how to proceed in a more efficient manner.

6. The AC members were in regular communication and had nine virtual meetings during the reporting period to prepare the strategy on accreditation based on the progress report presented to the Board at its twelfth meeting, with the support of the Secretariat. Furthermore the AC invited Board members and alternate members, observers, accredited entities, national designated authorities or focal points, and delivery partners to provide inputs for strategy on accreditation. Additionally, the AC received a report from the AP with lessons learnt and recommendations on improving the accreditation process, as an input for the strategy on accreditation. The strategy on accreditation will be presented to the Board for its consideration at the thirteenth meeting of the Board.

7. The AC members reviewed the enhancing direct access draft request for proposals and frequently asked questions and provided their inputs to allow the Secretariat to launch the pilot phase.

1.2.1 Nomination of a member to the Accreditation Panel

8. As per decision B.07/02 paragraph (g), the Board established an Accreditation Panel to be nominated by the Accreditation Committee for endorsement by the Board soon thereafter. The AP, while established with six members, currently consists of five members following the resignation of one member of the Panel on 31 January 2016.

9. A call for a senior international fiduciary expert to serve on the AP was published on the GCF website on 16 February 2016. A fiduciary expert was sought to increase fiduciary expertise

¹ Decision B.12/19 (f) "Requests the committees, panels and groups of the Board to include the actions outlined in the Strategic Plan in their respective deliberations and work programmes, as appropriate, throughout the Initial Resource Mobilization period, and to present these work programmes for consideration at the thirteenth meeting of the Board.

in the AP as the current make-up, of which the majority of AP members currently have an environmental and social background.

10. Shortlisting by the Secretariat began on 18 March 2016 after receipt of 9 curriculum vitae from 8 fiduciary experts and 1 environmental and social expert. Three candidates with fiduciary experience related to institutional assessments were invited for virtual interviews with the Secretariat. Interviews with these 3 candidates were held between 6 and 28 April 2016, by a panel. The evaluation by the Secretariat of the 3 candidates, and the identification of 1 candidate for the position and their curriculum vitae was presented to the AC for its consideration.

11. The nomination by the AC of one senior expert to the AP of the Board, and the curriculum vitae of the nominated candidate, is contained in a limited distribution document.

1.3 Work programmes of the Accreditation Committee

12. In the period after the thirteenth meeting of the Board the AC plans to provide policy guidance to the Board, the Accreditation Panel and the Secretariat on accreditation-related matters. The proposed strategy on accreditation outlines a range of issues that the AC agrees needs further attention and elaboration.

1.4 Next Steps

13. In the period after the thirteenth meeting of the Board, the AC plans to develop a work plan to provide policy guidance and monitor the implementation of the recommendations identified within the strategy on accreditation.

II. Report on Activities of the Accreditation Panel

2.1 Introduction

14. The report addresses the mandate given to the Accreditation Panel (AP), as per decision B.07/02, paragraph (g), to serve as an independent technical panel to advise the Board on matters related to the accreditation of entities to the GCF. Furthermore, the AP is responsible for conducting the accreditation process in accordance with its terms of reference, as adopted by the Board through decision B.07/02 paragraph (h).

15. The report covers the reporting period from mid-February 2016 to early June 2016, and also indicates activities planned to be carried out by the panels of the Board of the Green Climate Fund (GCF)² in advance of the thirteenth meeting of the Board (B.13).

2.2 Activities during the reporting period

16. During the reporting period, the AP held 4 formal virtual meetings, including with the Secretariat, as well as a number of informal exchanges between members of the Panel. Additionally, it held 9 virtual interviews with applicants during the Stage II (Step 1)

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accreditation review, in order to gain a better knowledge of each applicant and to clarify/discuss Stage II questions. The AP also had one in-person meeting (site visit) as part of its review process for a direct access applicant. The AP Chair had a virtual meeting with the Accreditation Committee of the Board on 31 May.

17. The AP has continued to focus on the assessment of entities that have applied for accreditation to the GCF and that have successfully completed Stage I as conducted by the Secretariat. External technical experts, in the form of independent and recognized professionals and a specialized consultancy firm, contracted by GCF, have assisted the AP in its in-depth review of individual applications for accreditation. The Panel has also reviewed evidence provided by already AEs pertaining to conditions and remarks endorsed by the Board at the time of their respective accreditation. The AP has carried out separate work on the methodology for tracking climate-related financing by Accredited Entities, as well as on the Accreditation Strategy being developed by the AC.

18. Of the 12 entities that entered Stage II (Step 1) before or during the reporting period, the AP concluded its assessments and has made recommendations for 5 entities, which are being presented at B.13 for the consideration of the Board.

2.3 Work programmes of the Accreditation Panel

19. The accreditation process is ongoing, and the AP is continuing its review of accreditation applications that have completed Stage I, with the aim of providing recommendations on accreditation for consideration by the Board at its subsequent meetings.

2.4 Matters where specific guidance from the Board is sought

20. In the consideration of the Accreditation Strategy, the AP would appreciate further guidance from the Board on the following matters:

- (a) In the event that in the short term the AP is unable to process immediately all applications for accreditation that have cleared Stage I, the criteria for prioritizing applications;
- (b) The long term accreditation strategy of the GCF, including the number and distribution by various types of entity to be considered for accreditation.

III. Report on Activities of the Budget Committee

3.1 Introduction

21. The Board, at its eleventh meeting, under decision B.11/08, decided to establish a Budget Committee (BC) as a standing committee of the Board. At its twelfth meeting, the Board, by its decision B.12/27, adopted the terms of reference of the Budget Committee and appointed six Board members and alternate members for its first term.

22. The BC will review and make recommendations on the annual administrative budget, financial reports and on the implementation of the finance, administrative and human resources operational policies.

23. The Committee is also expected to assist the Ethics and Audit Committee in relation to the annual audited financial statements of the GCF.

3.2 Activities during the reporting period

24. Since the twelfth meeting of the Board, the BC conducted three virtual meetings on 27 April, 27 May and 1 June. The Committee discussed a range of topics including:

- (a) Review and approval of the 2016 BC workplan;
- (b) Staffing of the Secretariat, and update on recruitment of additional staff;
- (c) Review of the report on the execution of the administrative budget at 30 April 2016;
- (d) Review of the draft 2015 audited financial statements; and
- (e) Review of current salary and compensation of staff.

25. The BC approved their draft 2016 workplan.

26. Regarding the status of staffing and the recruitment update, the Committee considered barriers identified by the Secretariat to attract and retain a high calibre workforce. Some of the barriers included less favourable competitive compensation package in comparison with similar institutions, and the inherent cultural and language barriers of living in an entirely new city like Songdo.

27. It was noted that the GCF is still offering salaries based on Asian Development Bank (ADB)'s scale of January 2014. The ADB has adjusted its scale in January 2015 by 2.3 percent and has further adjusted the same by another 2.7 per cent in January 2016. The average midpoint movement between 2014 and 2016 scales is 5 per cent. The higher cost of living in Songdo compounds the issues.

28. There was a broad agreement amongst the Committee members that the Secretariat's salary scales need to automatically align with those of the ADB scales, including for 2016 ADB's scales (for international staff) and World Bank South Korea's scales (for locally hired staff). As well, the Committee expressed support for providing appropriate salary progression within the scales based on rigorous annual performance assessments. These assessments should also serve to resolve the outstanding issue of employees remain on probation for over 12 months.

29. The BC reviewed the report on the execution of the administrative budget at 30 April 2016 and requested clarification on a number of issues. The high cost of staff travel in the covered period was queried. In particular the necessity for staff to attend international meetings and functions were not directly related to the work of the Fund, and whether this was an optimal use of staff time and Fund resources, given the heavy workload of the Secretariat. The BC noted that travel expenditures were within the approved budget line item, and was reassured by the Secretariat that a high level of oversight was placed on staff travel. The BC agreed to further discuss this issue with the Secretariat when it next meets in Songdo.

30. The BC reviewed the draft 2015 audited financial statements. The external auditors propose to again give an unqualified audited opinion on the financial statements. The wording of the audit report is similar to that given for 2014 Financial Statement. It was also noted that the draft statements contained no explicit information on readiness expenditures, and no mention of approved funding proposals. The Secretariat explained that 2015 readiness expenditures of US\$ 1.4 million were included in the overall operational expenditures of US\$ 20.1 million and had been audited as part of the audit of expenditures. Following consultations with the external auditors' additional text has now been added in note 12 to the financial statements which makes explicit reference to readiness expenditures, and approved funding proposals.

3.3 Next Steps

31. The Committee agreed to meet on the first of July in Songdo to continue the discussion on the structure of the Secretariat and overall budgetary and financial matters.
32. The Committee will continue its work on providing suggestions and guidance on the expenditure of the budget and the growth in staffing of the Secretariat.

IV. Report on Activities of the Ethics and Audit Committee

4.1 Introduction

33. The composition of the Ethics and Audit Committee (“EAC”) is: Mr. Leonardo Martinez (acting chair), Mr. Omar El-Arini, Mr. Ayman Shasly, Ms. Ludovica Soderini and Ms. Esther Gonzalez-Sanz. The sixth member of the Committee is yet to be appointed.
34. This report gives an account of the activities of the EAC in the period of March-June 2016. The EAC continued its task, to provide guidance on issues of conflict of interest, confidentiality, ethics, financial management, procurement and other audit functions as they relate to the Board of the Fund.

4.2 Activities during the reporting period

4.2.1 Organizational activities

35. The EAC held one teleconference between the twelfth and thirteenth meeting of the Board on 13 June 2016.
36. Meetings were attended by EAC members, advisers and the Secretariat. The Committee agreed to wait for the appointment of its sixth member by the Board to elect its new chair. In this regard, the Committee requested the acting chair to take up the matter with the Co-Chairs of the Board.

4.2.2 Activities addressing implementation of Board decisions

37. The Appointment Committee, as per its adopted terms of reference (decision B.09/14, annex XV, paragraph 2(f)), sought the recommendation of the EAC for the Head of the Independent Integrity Unit for its recommendation to the Board.
38. The EAC considered the two candidates proposed by the Appointment Committee for the Head of the Independent Integrity Unit based on the candidate booklet with CVs, cover letters, reference checks and salary levels. The EAC met on 13 June 2016 and after deliberations there was unanimity to recommend one candidate to lead the Independent Integrity Unit to the Board for decision at the thirteenth meeting of the Board.
39. The EAC as per its mandate considered the draft 2015 Financial Statements of the Fund. The EAC reviewed and discussed the Financial Statements prepared by the Secretariat and audited by the independent auditor of the Fund. The EAC decided to recommend to the Board the approval of the Green Climate Fund Financial Statements for the year ended 31 December 2015.
40. The EAC as per its mandate considered the Executive Summary of the Internal Audit Report of the Fund. The report summarized the results of two internal audits and one investigation, conducted in 2016, of GCF operations in 2015 in compliance with the Institute of Internal Auditors’ International Professional Practices Framework (Article 2060: Reporting to

the Senior Management and the Board), GCF administrative guidelines on the internal control framework and internal audit standards (para.7), and Decision BM-2014/01, para. 69. The report also contains an audit plan. The EAC also reviewed the two full internal audit reports of the operations of the Division of Support Services and the Country Programming Division. The report concluded that “internal auditor did not find any significant control weaknesses. However, internal auditor did note areas for improvement”. These have been communicated to management which has put in place a detailed action plan to address the audit recommendations. The internal auditor will monitor the implementation of the action plan to ensure that all of the audit recommendations have been implemented.

4.2.3 Other activities of relevance

41. The EAC discussed the letter received from the International Emissions Trading Agency (“IETA”) requesting a written explanation of the EAC decision regarding the nomination of the Active Private Sector Observer. The EAC requested the Secretariat to send a reply to the IETA.

V. Report on Activities of the Private Sector Advisory Group

5.1 Introduction

42. This document contains the reports on activities and the work programme of the Private Sector Advisory Group (PSAG) from mid-February to mid-May 2016.

43. As part of the PSAG’s mandate, the Board:

- (a) Requested the PSAG to present further recommendations on possible measures to support the accreditation of entities with solid track records in supporting MSMEs and in mobilizing resources at scale for the Board’s consideration by no later than its 12th meeting (decision B.10/11);
- (b) Invited the PSAG to make recommendations on the mobilization of private sector finance to progress the Fund’s forestry related result areas for consideration by the Board at its fifteenth meeting in 2016 (decision B.12/07); and
- (c) Requested the PSAG to include the actions outlined in the Strategic Plan in their respective deliberations and work programmes as appropriate throughout the Initial Resource Mobilization period, and to present these work programmes for consideration at the 13th meeting of the Board (decision B.12/20).

5.2 Activities during the reporting period

44. The Board members of the PSAG held 2 virtual meetings on 27 April and 18 May 2016.

45. During these meetings progress was made on the following issues:

- (a) **Accreditation (pursuant to decision B.10/11):**
 - (i) The Co-Chairs of the PSAG communicated with the Co-Chairs of the Accreditation Committee to determine what input is needed on the accreditation of private sector actors for the accreditation strategy, and will potentially hold a call with the Committee. It is understood that this matter will be addressed following the Board’s consideration of the Strategy for Accreditation.
- (b) **Forestry (pursuant to decision B.12/07):** the PSAG will wait for guidance from the Board on this matter;

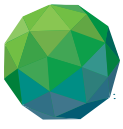
- (c) **Strategic Plan (pursuant to decision B.12/20):** the PSAG is waiting to receive the revised 2016 work plan from the Co-Chairs of the Board in order to integrate the Strategic Plan into its work programme;
- (d) **PSAG members selection:**
- (i) The Secretariat issued a call for the open PSAG positions on 26 April, 2016 to appoint one private sector representative from developed countries and one civil society representative from developed countries as members of the PSAG;
 - (ii) The call was closed on 30 May, 2016. The Secretariat has received 37 applications, 18 from developing countries and 19 from developed countries. Of the 19 applicants from developed countries, who are eligible candidates, 12 applicants are from private sector organizations (PSO) and 7 applicants are from civil society organizations (CSO);
 - (iii) Shortlisting of the candidates was completed on 3 June, 2016. 6 candidates from PSO and 4 candidates from CSO were shortlisted for further evaluation by the PSAG Board members;
 - (iv) The Board members of the PSAG had a call meeting to proceed with the selection on 9 June, 2016, based on the Secretariat's assessment. Active civil society observer joined the call for the selection of the CSO representative; and
 - (v) After the selection, the PSAG Board members will prepare a one-page recommendation for the Co-Chairs of the Board in accordance with the practice established at B.06.
- (e) **Future formal PSAG meetings:** the PSAG plans to hold a formal meeting prior to the fourteenth meeting of the Board. The location and date have not yet been decided upon.

5.3 Work programme of the PSAG

46. The PSAG work programme is expected to cover the period until the end of PSAG membership in 2018.
47. The PSAG is waiting to receive the revised 2016 work plan from the Co-Chairs of the Board in order to integrate the Strategic Plan into its work programme as some mandates are directly or indirectly linked to one another.
48. The PSAG work plan can be divided into two categories:
- (a) Category I: Direct mandates in relation to fulfilling the mandate of the PSAG as contained in the PSAG ToR; and
 - (b) Category II: Activities derived from Strategic Plan and Board decisions, including guidance from the Conference of the Parties.

5.4 Next Steps

49. The Board members of the PSAG will prepare a recommendation to the Co-Chairs of the Board as per the practice used at B.06 in relation to the selection of the two PSAG members. The proposal will be considered by the Board at its thirteenth meeting.
50. The Co-Chairs of the PSAG plan to have a call with the PSAG prior to the thirteenth meeting of the Board in order to initiate discussion on PSAG's current status and mandates, and will determine the best way to engage with the PSAG on a sustainable and continuous basis.



51. The Board members of the PSAG plan to hold an in-person meeting at the margins of the thirteenth meeting of the Board.
