



**GREEN
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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 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 March to May 2017:

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

I. Introduction

1. This report covers the reporting period of March to May 2017, and also indicates activities planned to be carried out by the committees and panels of the Board of the Green Climate Fund in advance of its seventeenth meeting (B.17).

II. Report on activities of the Accreditation Panel

2. The report addresses the mandate given to the Accreditation Panel (AP) in 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. 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).

3. The report covers the reporting period from 1 March to 31 May 2017, and also indicates activities planned to be carried out by the AP in advance of B.17.

2.1 Activities during the reporting period

4. The AP held three virtual meetings, two site visits to headquarters of two applicant entities and numerous [telephone] calls during the Stage II (Step 1) accreditation review in order to gain better knowledge of each applicant and to clarify and discuss Stage II questions raised by the AP.

5. The AP, supported by the external technical experts and taking into account decision B.14/08 on the prioritization of certain types of entities, continued to work on its in-depth assessment of applications for accreditation that have successfully completed Stage I, as conducted by the Secretariat.

6. The AP has also reviewed evidence provided by accredited entities (AEs) pertaining to conditions and remarks adopted by the Board at the time of their respective accreditation, and this work is ongoing.

7. In line with decision B.14/08, paragraph (e) (iii), the AP, supported by external technical experts, prepared a draft assessment, including a gap analysis, of the Environmental and Social Policy of the Adaptation Fund (approved in November 2013 and amended in March 2016) and its Gender Policy (approved in March 2016) in relation to the GCF interim environmental and social safeguards and the GCF Gender policy with a view to provide further recommendations on potential fast-tracking. A draft of the assessment has been shared with the Secretariat.

8. In line with decision B.12/30, paragraph (d), the AP, with the support of the Secretariat, continued to work towards establishing a baseline on the overall portfolio of AEs, including those already accredited at an earlier stage, that allows for an assessment of the extent to which the overall portfolios of activities by AEs (beyond those funded by the GCF) have evolved during the accreditation period. In particular, the draft terms of reference for a consultancy associated with this body of work has been finalized taking into consideration comments and recommendations from the Accreditation Committee (AC) and the Secretariat. The terms of reference will shortly be advertised.

9. In line with paragraph 14 of annex V to decision B.07/11, the AP, in consultation with the AC, has prepared a draft code of conduct which will be further developed by the AP before the eighteenth meeting of the Board (B.18).

2.2 The work programme of the Accreditation Panel

10. 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 in line with GCF accreditation priorities for consideration by the Board at its subsequent meetings.

11. The AP is continuing to draft papers referred to in paragraphs 6–8 above as requested by the Board, and more generally on options aimed at improving the efficiency and effectiveness of the accreditation process. These issues are planned to be significantly progressed during a one-day workshop between the AP and AC planned for 7 July 2017.

2.3 Matters where specific guidance from the Board is sought

12. The AP looks forward to the revised draft strategy on accreditation by the AC, so as to clarify the way forward for a number of pending items, such as the potential role and eventual standing of export-import agencies in the GCF financing framework.

III. Report on activities of the Ethics and Audit Committee

13. The Ethics and Audit Committee (EAC) is comprised of Mr. Ayman Shasly (Chair), Mr. Larry McDonald, Mr. Omar El-Arini, Ms. Ludovica Soderini, Mr. Nauman Bhatti and Ms. Esther Gonzalez-Sanz.

14. The EAC, a standing committee of the Board, continues its task, to provide guidance on issues of conflicts of interest, confidentiality, ethics, financial management, procurement and other audit functions as they relate to the Board. Since its inception, the EAC has held 46 meetings.

15. This report gives an account of the activities of the EAC in the period of April to June 2017. In particular, the EAC considered a draft Policy on ethics and conflicts of interest for active observers as requested by the Board in decision B.09/03, the policies of the Independent Integrity Unit (IIU) and issues related to the implementation of the Policy on ethics and conflicts of interest for the Board.

3.1 Activities during the reporting period

16. Since the sixteenth meeting of the Board, the EAC has been holding virtual meetings fortnightly to discuss, and give guidance to the Secretariat and the Independent Accountability Units, on the key mandates given by the Board. The EAC held six teleconferences on 27 April, 4 and 24 May, and 1, 13 and 28 June 2017 and the committee plans to hold a meeting on the margins of the seventeenth meeting of the Board (B.17).

17. The meetings were attended by EAC members, advisers, the Head of the IIU and representatives of the Secretariat.

18. The EAC considered the policy documents developed by the Head of the IIU, who has sought the comments of the EAC on the draft documents developed by the IIU, including policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism (AML/CFT), pursuant to decision B.14/01, paragraph (e), and its work plan. During the reporting period, in addition to the formal virtual meetings in which the EAC discussed the

AML/CFT policy, its members held numerous bilateral exchanges with the Head of the Independent Integrity Unit.

19. The EAC, as per its mandate, considered a request for a waiver by an adviser who wished to apply for a position at the Secretariat under paragraph 33 of the Policy on ethics and conflicts of interest for the Board (annex I to decision B.09/03 (annex I to document GCF/B.09/23)). There was no consensus within the EAC to recommend a waiver to the Board for its consideration.

20. The EAC, as per the mandates given by the Board in decisions B.09/03, B.10/13 and B.13/27, paragraph (b), considered a draft Policy on ethics and conflicts of interest for active observers presented by the Secretariat. The EAC agreed on a draft policy and it is being presented to the Board for its consideration at B.17.

21. In the reporting period, the EAC discussed matters relating to persons covered under the policies on ethics and conflicts of interest seeking employment at the Secretariat. The EAC has since discussed the circumstances and factors to be considered for the granting of a waiver and has developed a procedure for reviewing waiver requests to enable individuals covered under the Policy on ethics and conflicts of interest for the Board to apply for employment at the Secretariat. The EAC will report on this matter to the Board for its information.

22. The EAC, as per its mandate, considered the draft financial statements of the GCF for the year ended 31 December 2016, which were prepared by the Secretariat and audited by the independent auditor of the GCF. Having reviewed and discussed the financial statements, the EAC decided to recommend their approval to the Board.

23. The EAC, as per its mandate, considered the Audit Work Plan of the Office of the Internal Auditor (OIA) for 2017-2019. The plan sets out the process for a three-year risk-based work plan for auditing the organizational units of the Secretariat. In addition, it elaborated on the advisory work that the OIA is conducting, the procedures for internal management and technical procedures that it is developing, and other internal audit activities that are planned during this period. The committee reviewed the work plan of the OIA and recommended that the Internal Auditor also present the work plan to the Board for its information. Furthermore, the EAC recommended that the Internal Auditor formulate a plan for an external review and assessment of the OIA by a qualified independent company.

24. The EAC received one request for guidance related to a conflict of interest under the Policy on ethics and conflicts of interest for the Board and two requests under the Policy on ethics and conflicts of interest for Board-appointed officials.

3.2 Next steps

25. In the period after B.17, the EAC plans to continue discussions on and to further develop the draft policy on AML/CFT with a view to presenting an approved text to the Board for its consideration at its next meeting.

26. The EAC plans to consider the conflicts of interest relating to persons engaged with the GCF, such as former Board members joining organizations that are engaged with the GCF and former staff members of accredited entities joining the Secretariat, as requested by the Board at its sixteenth meeting, with the aim of presenting its recommendations to the Board at its subsequent meeting.

IV. Report on activities of the Investment Committee

4.1 Activities during the reporting period

27. Since the B.16 meeting, the Investment Committee has continued its work on indicative minimum benchmarks. Through the most recent work, the Committee has given feedback on an annotated outline of the indicative minimum benchmarks, which will feed into the interim report actively under preparation for B.17.

28. The Committee's previous report to the Board noted the technical challenges in developing indicative minimum benchmarks and cited a report from the first phase of the benchmarks work noting their relatively limited use in similar multilateral institutions. The Board of the GCF has signalled, through previous decisions, that indicative minimum benchmarks would be developed not as a mechanism to, for example, automatically deem certain proposals ineligible, but as an instrument to facilitate the decision-making of the Board in the context of the GCF investment criteria and other elements across the proposal approval process. The Board has also noted that this work should encourage ambition and take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, in particular the least developed countries (LDCs), small island developing States (SIDS) and African States, according to project size, mitigation/adaptation, and local and sector circumstances.

29. The Committee plans to bring forward a relatively straightforward initial proposal for indicative minimum benchmarks, supplemented by expanded research and analysis, and continuous liaising with other active research efforts. This would then be expanded and enhanced over time.

30. The consultancy firm supporting the Committee has now started its second phase of work based on terms of reference agreed by the Committee at its fifteenth meeting (B.15). The key components of this work include:

- (a) Proposing to test the projects/programmes already approved by the GCF against the initial quantitative minimum benchmarks proposed for mitigation ('impact potential' and 'efficiency and effectiveness');
- (b) Proposing indicative minimum benchmarks for the GCF's investment criteria that are of a more qualitative nature: sustainable development potential, paradigm shift potential, country ownership, needs of the recipient as well as impact potential and efficiency and effectiveness in adaptation; and
- (c) Exploring opportunities to expand the minimum benchmarks to individual results areas, for a more comprehensive and robust set of benchmarks, using resilience of infrastructure and the built environment to climate change threats (GCF adaptation expected results area 3.0) as a pilot example; and
- (d) Proposing an initial implementation approach for the minimum benchmarks, including potentially a pilot phase.

31. It is anticipated that the indicative minimum benchmarks will require ongoing refinement and discussion well beyond B.17 and B.18.

32. In addition to indicative minimum benchmarks, the Committee has also received updates on the procurement processes for the following reviews:

- (a) "Annual review of financial terms and conditions of the Green Climate Fund financial instruments" (decision B.15/05); and

- (b) “Review of the structure and effectiveness of the independent Technical Advisory Panel” (decision B.15/06).

33. It is expected that once the consulting firms begin work on the respective reviews, the Committee will oversee the work in accordance with the terms of reference adopted at B.15. The two reviews will also require Committee feedback and guidance on respective interim reports before documents are finalized for Board consideration, currently expected for B.18.

34. In the third week of June, Committee members held a voluntary briefing on the latest risk management framework (RMF) developments and the status and work of the Independent Evaluation Unit (IEU).

35. The Office of Risk Management and Compliance of the GCF, along with consulting firm Oliver Wyman, briefed the Committee on the structure and scope of the RMF initiative. The work is led by the Risk Management Committee and is relevant to the Investment Committee’s ongoing work.

36. The Head of IEU briefed Committee members on the work plan and budget of the IEU. The Committee members were asked for their advice and guidance as an interim arrangement until B.17 at the request of the co-chairs.

37. The Committee has also continued to receive regular updates on the status and progress of recruitment in the division of Mitigation and Adaptation and the Private Sector Facility, which is reported to the Board as part of “Status of the Staffing of the Secretariat” (GCF/B.17/Inf.03).

4.2 Next steps

38. ICF International, the firm procured to support the Committee on indicative minimum benchmarks, plans to deliver the interim report on benchmarks in the third week of June. The Committee plans to hold a virtual meeting during the fourth week of June to discuss and give further guidance in order to deliver an interim information report to the Board for B.17. Following discussions at the informal session of the Board in July, the Committee intends to work with the Secretariat and ICF International to deliver a detailed proposal for B.18.

V. Report on activities of the Private Sector Advisory Group

39. This report covers the activities of the Private Sector Advisory Group (PSAG) from 1 March 2017 to 31 May 2017 and any activities that have been undertaken prior to B.17.

40. As part of the PSAG mandate, the Board:

- (a) Requested the PSAG to provide advice on the modalities and instruments to mobilize private resources at scale including through special financing vehicles or instruments, including risk mitigation instruments;¹
- (b) Also requested the PSAG to present further recommendations on possible measures to support the accreditation of entities with solid track records in supporting micro-, small- and medium-sized enterprises (MSMEs) and in mobilizing resources at scale for the Board's consideration;²
- (c) Invited the PSAG to make recommendations on the mobilization of private sector finance to progress the GCF forestry-related result areas for consideration by the

¹ Decision B.07/08, paragraph (f)(ii).

² Decision B.10/11, paragraph (h).

- Board³. These recommendations will be presented to the Board following the Board's approval on the matters related to support for REDD-plus;
- (d) Requested the PSAG to include the actions outlined in the strategic plan for the GCF in its respective deliberations and work programmes as appropriate throughout the Initial Resource Mobilization period;⁴
 - (e) Requested the Secretariat to undertake an analysis of barriers to crowding-in and maximizing the engagement of the private sector to present to the Board, and requested the PSAG to present recommendations for consideration by the Board.⁵ The Secretariat and the PSAG plan to present documents containing the analysis and the recommendations to the Board by B.17;
 - (f) Also requested the PSAG to present a recommendation on the development of a private sector outreach plan⁶;
 - (g) Requested the PSAG to provide recommendations to the Board on⁷:
 - (i) The development of modalities to support activities enabling private sector involvement in LDCs and SIDS; and
 - (ii) Opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels; and
 - (h) Decided to co-opt a Board representative from the LDCs and another from the SIDS to assist the PSAG to develop its recommendations in relation to paragraph (g) above.
41. The recommendations of PSAG on this matter will be presented to the Board at B.18.

5.2 Report on activities of the Private Sector Advisory Group

42. Based upon PSAG recommendations, the Board, in decision B.16/3 paragraph (a) requested the Secretariat to issue the Request for Proposal (RFP) to solicit responses from AEs and potential AEs to establish and manage pilot programmes for mobilizing funds at scale, and decided to allocate up to USD 500 million over the course of the initial mobilization period for this programme.

43. As one of the Secretariat's promotional activities, the RFP was launched on 25 May 2017 at the "Innovative4Climate" conference in Barcelona, Spain; a key industry platform that gathers the private sector community to help advance the global climate response. Mr. Jay Koh, a PSAG member, supported the promotion of the RFP by participating at the event as a panel member.

44. The members of the PSAG held a virtual meeting on 1 June 2017 and discussed the barriers to crowding-in and maximizing the engagement of the private sector for consideration at B.17. The discussion included:

- (a) Providing feedback on the Secretariat's report on its analysis of the barriers to crowding-in and maximizing the engagement of the private sector, which was circulated two weeks prior to the meeting; and

³ Decision B.12/07, paragraph (f).

⁴ Decision B.12/20, paragraph (f).

⁵ Decision B.13/05, paragraph (c).

⁶ Decision B.13/05, paragraph (d).

⁷ Decision B.15/03, paragraph (i).

- (b) Further discussing the recommendations made by the PSAG on the barriers to crowding-in and maximizing the engagement of the private sector, to be considered at B.17.

5.3 Next steps

45. The Secretariat's analysis of the barriers to crowding-in and maximizing the engagement of the private sector and the recommendations made by the PSAG will be presented for consideration by the Board at B.17.

5.4 Work programme in response to decision B.12/20 (f)

46. The PSAG work programme, including the actions outlined in the strategic plan, is in the annex of this document.

Annex: Work programme of Private Sector Advisory Group

1. The Private Sector Advisory Group (PSAG) work programme is expected to cover the period until the end of PSAG membership in 2018.
2. The PSAG will continue to make recommendations to the Board to maximize the engagement of the private sector in developing countries. The PSAG will support the Private Sector Facility in the mapping of private sector players and the development of a strategic road map for GCF engagement with the private sector, institutional investors and areas of uniqueness, complementarity and collaboration in the climate finance space with the ultimate goal of developing a business plan.⁸
3. The PSAG will work to fulfil the direct mandates of the Board as contained in the PSAG terms of reference.⁹
4. The PSAG will also work on activities and mandates derived from the strategic plan and Board decisions, including guidance from the Conference of the Parties[to the United Nations Framework Convention on Climate Change], as follows:
 - (a) The PSAG recommendations on the mobilization of private sector finance for GCF forestry-related results areas which will be presented to the Board following the Board's approval on the matters related to support for REDD-plus,¹⁰ which includes:
 - (i) REDD-plus results-based payments; and
 - (ii) Further guidance for national designated authorities and focal points on how to engage with the GCF in the early phases of REDD-plus.
 - (b) The PSAG recommendations on the development of a private sector outreach plan to be presented to the Board at its eighteenth meeting (B.18);¹¹ and
 - (c) The PSAG recommendations on the following will be presented to the Board at B.18:¹²
 - (i) The development of modalities to support activities enabling private sector involvement in the least developed countries and small island developing States; and
 - (ii) Opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels.

⁸ Decision B.09/09.

⁹ Decision B.05/12.

¹⁰ Decision B.12/07, paragraph (f).

¹¹ Decision B.13/05, paragraph (d).

¹² Decision B.15/03, paragraph (i).