



**GREEN
CLIMATE
FUND**

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Provisional agenda item 7

GCF/B.18/Inf.02/Add.01

20 September 2017

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

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) Accreditation Panel; and
- (b) Investment Committee.

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 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 1 June to 15 August 2017, and also indicates activities planned to be carried out by the AP in advance of B.18.

2.1 Activities during the reporting period

4. The AP held two virtual meetings and numerous telephone calls during the Stage II (Step 1) accreditation review to gain better knowledge of each applicant and to clarify and discuss Stage II questions raised by the AP.

5. On 7 July 2017, a joint workshop on accreditation was held by the AP and Accreditation Committee (AC). The workshop was attended by the AP, its external experts, the AC and members of the Secretariat. The aim of the workshop was to consider further possible orientations for the design of a revised Accreditation Framework, including modalities, that respond to the challenges now faced by the GCF. The workshop discussed a proposal presented by the AP Chair to establish a multi-track approach to accreditation, recognizing one size does not fit all, and building on the fit-for-purpose approach, differentiated by entity type. The approach includes a streamline accreditation process for direct access entities from countries with currently no AEs, for micro and small-size projects and E&S risk category B/C, initially for grants only. The streamlined accreditation approach, once finalised and agreed, could then be piloted, say between B.18 and B.19. Other strategic items were also discussed during the workshop, including the structure and governance of the AP, noting that the term of four of the current members of the AP comes to an end in mid-October 2017.

6. 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.

7. 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.

8. 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. The document has been reviewed by the Secretariat and the AP is working on addressing comments and suggestions by the Secretariat.

9. 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 AP, with the support of the Secretariat and the Accreditation Committee, finalized the terms of reference for a consultancy associated with this body of work. Currently, the AP, administratively supported by the Secretariat, is in the process of recruitment of consultant(s) based on the terms of reference.

10. In line with paragraph 14 of annex V, decision B.07/11, the AP, in consultation with the AC, has prepared a draft Code of Conduct which has been shared with the AC for its final review.

2.2 The work programme of the Accreditation Panel

11. 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.

12. The AP is continuing to the draft papers referred to in paragraphs 8–10 above as requested by the Board, and more generally on options aimed at improving the efficiency and effectiveness of the accreditation process.

2.3 Matters where specific guidance from the Board is sought

13. 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 within the Accreditation Framework.

III. Report on Activities of the Investment Committee

14. Based on the feedback received from the Board in the informal sessions at its seventeenth meeting (B.17), the Investment Committee (IC) has continued its work on indicative minimum benchmarks. The Secretariat, supported by a consulting firm (ICF International), has developed an interim report on which the IC provided feedback, and which will form the basis for the final report.

15. The IC's previous reports 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 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, rather than as a mechanism to, for example, automatically deem certain proposals ineligible. The Board has also noted that this work should encourage ambition and take into account the needs of those developing countries that are 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.

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16. Work to date since B.17 has focused on:
- (a) Testing the projects/programmes already approved by the GCF against the initial quantitative minimum benchmarks proposed for mitigation (namely, impact potential, and efficiency and effectiveness);
 - (b) Proposing indicative minimum benchmarks for the GCF investment criteria that are of a more qualitative nature (i.e. sustainable development potential, paradigm shift potential, country ownership, and needs of the recipient, as well as impact potential and efficiency and effectiveness in adaptation); and
 - (c) Working through scope and possible implementation of the indicative minimum benchmarks.
17. The IC is presenting, in the B.18 information document titled “Status of indicative minimum benchmarks: key findings to date and options for implementation” (under preparation as at publication date), a summary of the work conducted to date and the key findings of the report. The IC plans to bring forward a relatively straightforward initial proposal for indicative minimum benchmarks which can be refined and discussed on an ongoing basis, and expanded and enhanced over time.
18. The IC has also overseen the development of the “Annual review of financial terms and conditions of the Green Climate Fund financial instruments” (decision B.15/05); and the “Review of the structure and effectiveness of the independent Technical Advisory Panel” (decision B.15/06).
19. The annual review of financial terms and conditions evaluated compliance of the terms and conditions of financial instruments in the GCF portfolio with the existing policies, taking an in-depth look at matters related to concessionality and additionality. The interim report has been prepared by the Secretariat and supported by a consultancy firm (Nodalix), based on the IC’s guidance. Due to the inter-linkages with other policies under development, including the Investment Risk policy and the Grant Calculation Methodologies, additional time is needed to prepare a plan to implement the recommendations in a way that is efficient and does not lead to overlaps.
20. The review of the structure and effectiveness of the independent Technical Advisory Panel has been developed independently by the consultancy firm (SQ Consult) with the IC’s oversight, with the Secretariat providing only logistical support, following the terms of reference approved by the Board. The review has been conducted with attention to ensuring its independence from all parties, and has sought inputs from a variety of stakeholders, including the Board and the IC, the Panel itself, the Secretariat, accredited entities, national designated authorities and active observers. The final report proposes a set of recommendations on the composition and processes of the independent Technical Advisory Panel, and is scheduled for consideration at the eighteenth meeting of the Board (B.18).
21. In the first week of September, the IC members held a voluntary briefing on the latest Investment Risk policy developments. The Secretariat presented a summary of the Investment Risk policy, one of the three risk policies being presented to the Board for consideration at B.18. The Investment Risk policy codifies roles and responsibilities within the Secretariat to address two risks identified in the risk register: the risk of not achieving target impact; and the risk of delays or shortfalls in project-related reflows. The work is led by the Risk Management Committee and is relevant to the ongoing work of the IC.
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