



**GREEN
CLIMATE
FUND**

Meeting of the Board
27 February – 1 March 2018
Songdo, Incheon, Republic of Korea
Provisional agenda item 7

GCF/B.19/21

5 February 2018

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 August 2017 to January 2018:

- (a) Investment Committee;
- (b) Private Sector Advisory Group; and
- (c) Risk Management Committee.

I. Introduction

1. This report covers the reporting period of August 2017 to January 2018, 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.19).

II. Report on activities of the Investment Committee

2.1 Activities during the reporting period

2. Since the B.18 meeting, the members of the Investment Committee have worked on the following documents relating to Technical Advisory Panel (TAP) reviews:

- (a) “Terms of reference of the performance review of the members of the Technical Advisory Panel”
- (b) “Review of the structure and effectiveness of the Technical Advisory Panel”

3. The members of the Investment Committee held an update call on 6 November 2017 and discussed the development of the terms of reference of the performance review of the members of the Technical Advisory Panel, and provided written guidance to the Secretariat for their development. The Committee concluded that it was critical to have the decision adopted in-between meetings to allow the procurement and review process to be completed prior to the expiration of the contracts of current TAP members.

4. On 15 November 2017, the Committee approved the terms of reference on a no-objection basis for circulation to the Board. The terms of reference were then adopted by the Board in a decision between meetings on 26 December 2017.

5. The Investment Committee also provided guidance on the decision text of the review of the structure and effectiveness of the Technical Advisory Panel, based on the independent review conducted between June and September 2017. The document was approved by the Committee on 1 February 2018 and will be presented to the Board for consideration at B.19.

6. The Secretariat hired the consulting firm Nodalix to conduct the review of the financial terms and conditions of the GCF financial instruments. An outline of the draft report was presented to the Investment Committee for comments in August 2017. The final report was then submitted to the Secretariat in late 2017. The Secretariat is reviewing the final report and preparing a paper for consideration of the Investment Committee.

7. Investment Committee has also continued its work on indicative minimum benchmarks. The Committee further discussed and refined its proposal for indicators and their proposal “GCF investment criteria indicators” will be presented to the Board for consideration at B.19..

III. Report on activities of the Private Sector Advisory Group

8. This report covers the activities of the Private Sector Advisory Group (PSAG) from 16 August 2017 to 15 January 2018.

3.1 Activities during the reporting period

9. The members of the Private Sector Advisory Group (PSAG) held a meeting from 6 to 7 December 2017 in Copenhagen, Denmark. Board representatives from the LDCs (Mr. Evans Davie Njewa) and SIDS (Mr. Ronald Jean Jumeau) and a CSO representative were also invited to participate.

10. During the meeting, the PSAG reviewed and discussed a range of topics including the B19 deliverables, private sector engagement in adaptation and 2018 PSAG workplan, PSF outlook and expectations. Some of the recommendations that need the Board's guidance can be found in section III of this report.

3.1.1 **B.19 deliverables**

11. Based on the discussions, the PSAG recommendations for the development of modalities to support activities enabling private sector involvement in the LDCs and SIDS and the recommendations on the private sector outreach plan will be presented for consideration by the Board at its nineteenth meeting.

3.1.2 **Private Sector engagement in adaptation**

12. The PSAG stressed the importance of private sector engaging in adaptation. The PSAG indicated the focus should not just be on engaging the private sector in individual projects but on all the components contributing to an enabling environment that will make adaptation projects successful and ultimately create a competitive and efficient market. The PSAG discussed various instruments such as insurance, adaptation targeted request for proposals, blended finance, Public Private Partnerships, national level communications and support on data and analytics for market entry analysis for low cost products that may be more applicable to local markets.

13. The recommendations for private sector engagement in adaptation for consideration at B20 will be further discussed and finalized in the next PSAG meeting.

3.1.3 **2018 PSAG Workplan**

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

- (a) Requested the PSAG to provide recommendations to the Board by B19 on:¹
 - (i) The development of modalities to support activities enabling private sector involvement in the least developed countries (LDCs) and small island developing States (SIDS); and
 - (ii) 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 2(a)(i) above.
- (b) Requested the PSAG to present recommendation on the development of a private sector outreach plan by B19;²
- (c) Invited the PSAG to make recommendations on the mobilization of private sector finance to progress the GCF forestry-related result areas by B20;³
- (d) Requested the PSAG to provide recommendations on the opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels by B20.⁴

¹ Decision B.15/03, paragraph (i).

² Decision B.13/05, paragraph (d).

³ Decision B.12/07, paragraph (f).

⁴ Decision B.15/03, paragraph (i).

3.2 Matters where specific guidance from the Board is sought

15. Under the PSAG Terms of Reference, the Board may issue mandates to PSAG to provide input on specific matters, as may the Executive Director. Beyond these requests that may be made during the course of 2018, PSAG considered the following recommendations to help the GCF and PSF to deliver its objectives most effectively and for PSAG to work efficiently to facilitate this:

- (a) The PSAG recommends GCF to consider undertaking broader impact assessments of existing or proposed projects, covering aspects such as job creation, social inclusiveness, or market creation and competitiveness, in addition to the traditional climate-related indicators (e.g. emission reductions). Such assessments should ideally become a standardized process and deliver standardized impact indicators for all projects supported by the GCF.
- (b) The PSAG also recommends that GCF should consider mapping existing international institutions working on climate finance, in particular their private sector operations, to avoid overlap and find grounds for cooperation. This will help to clearly identify the added value of GCF and its PSF with regards to the contribution of other players.
- (c) The PSAG recommends that PSAG should make a contribution to the review of the GCF accreditation framework (Decision B.18/04), including through direct engagement between PSAG and the Accreditation Panel, the Accreditation Committee and accreditation specialists in the Secretariat. This will facilitate a better mutual understanding of requirements and needs between private sector applicants and GCF. A modality for such engagement may be considered by the GCF Board if it deems this appropriate.
- (d) The GCF Board may consider inviting (if appropriate) PSAG members to board meetings, depending on the agenda, or seek other direct interaction (e.g. Annual Meeting, side events). This will enable the PSAG members to understand the GCF dynamics and contribute further in accordance with its PSAG mandate. PSAG members can share concrete examples of success and failures on a number of issues related to the GCF Secretariat's 2018 work programme, and can also bring in other private sector representatives to present at Board Meetings/PSAG meetings/GCF events to inform future discussions. The Board is invited to identify and enable opportunities and modalities for such direct engagement with PSAG private sector members.
- (e) The PSAG may explore 'green economy related trade opportunities and challenges' as a future topic for its consideration. Avoiding and resolving climate-related trade disputes, and enhancing market access for climate-friendly and resilient goods and services are essential for mobilizing private climate finance and expertise. The private sector has significant data that can be utilized for this discussion, aiming at boosting trade for global climate mitigation and adaptation.

3.3 Next steps

16. The PSAG will hold the next meeting from 1 to 2 March 2018 in Songdo, South Korea, immediately after B.19.

17. The informal meeting will take place on 1 March amongst the PSAG members, not including the PSAG board members and the Secretariat. The formal PSAG meeting will take place on 2 March with the PSAG members, PSAG board members, Secretariat and active private sector and civil society observers. The PSAG will discuss further on the B.20 deliverables.

18. The PSAG will also contribute feedback on an ad-hoc basis throughout 2018, as the Secretariat prepares research in areas related to strategy, outreach, private sector engagement and other issues related to its mandate.

IV. Report on activities of the Risk Management Committee

19. 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 ratings methodologies, which should consider a differentiation of risks between adaptation and mitigation.

20. In decision B.13/36, the interim risk and investment guidelines would expire the earlier of (i) the sixteenth meeting of the Board (B.16) or (ii) at the adoption of an updated set of risk policies and guidelines as determined by decision B.12/34.

21. 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 the earlier of (i) the eighteenth meeting of the Board, or (ii) the adoption of an updated set of risk policies and guidelines”. In accordance to the Work Plan of the Board 2017 adopted in decision B.BM-2017/02, the first set of components of the risk management framework (RMF) is to be considered at the seventeenth meeting of the Board, and additional components of the RMF are to be considered at the eighteenth meeting of the Board.

22. 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 the Secretariat to further develop the risk dashboard and the underlying methodologies for consideration by the Board at its eighteenth meeting. 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 and present the risk rating models for consideration by the Board at its nineteenth meeting.

23. At its eighteenth meeting, the Board took note of document GCF/B.18/05 titled “GCF risk management framework – Proposal by the Risk Management Committee”; however, no decision was taken under this item.

24. Through decision B.18/01, the Board approved the work plan of the Board for 2018 and decided to postpone the presentation of the risk rating methodologies for consideration by the Board to its twentieth meeting.

25. In decision B.12/31 (d), the Board requested the Executive Director to regard the template Accreditation Master Agreement (AMA) 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.

4.1 Activities during the reporting period

26. In the reporting period August 2017 to January 2018, eight 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 RMF, and its underlying policies, guidelines and tools; and (ii) AMA consultation.

27. Subsequent to the adoption of the first set of components of the RMF through decision B.17/11 in July 2017, the RMC reviewed the following components of the RMF and decided to

present them to the Board for its consideration at B.18 through document GCF/B.18/05 titled “GCF risk management framework – Proposal by the Risk Management Committee”:

- (a) The risk dashboard with revised approach to reporting on concentration;
- (b) The non-financial risk policy;
- (c) The funding risk policy; and
- (d) The investment risk policy.

28. As no decision was taken by the Board at B.18 with regards to the document GCF/B.18/05 titled “GCF risk management framework – Proposal by the Risk Management Committee”, the Secretariat commenced improvement work on the document. Additional comments were received from the Secretariat’s senior management team and the revised document was further developed under the guidance of the RMC.

29. Following the review of the revised components of the RMF, the RMC decided to present them to the Board for its consideration at its nineteenth meeting.

30. Regarding compliance related matters, the Secretariat presented updates to the RMC on the development of the compliance framework.

31. The Secretariat also consulted with the RMC on several AMAs. The RMC reviewed the following AMAs during the reporting period:

- (i) AMA with the Africa Finance Corporation (“AFC”);
- (ii) AMA with African Development Bank (“AfDB”);
- (iii) AMA with Agence Française de Développement (“AFD”);
- (iv) AMA with World Bank (“WB”);
- (v) AMA with Micronesia Conservation Trust (“MCT”);
- (vi) AMA with Fundación Avina;
- (vii) AMA with Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) GMBH (“GIZ”);
- (viii) AMA with World Wildlife Fund Inc. (“WWF”); and
- (ix) AMA with International Finance Corporation (“IFC”).

32. Following the review of the AMAs by the RMC, the RMC agreed with the Secretariat in its assessment that the changes made to the above-mentioned AMAs were not substantive and therefore did not require Board approval.

4.2 Next steps

33. Two formal RMC meetings have been scheduled following the end of this reporting period. The RMC may also decide to hold additional meetings in Songdo, Incheon, Republic of Korea, during B.19.
