



**GREEN
CLIMATE
FUND**

Meeting of the Board
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Geneva, Switzerland
Provisional agenda item 5

GCF/B.25/Inf.09

20 February 2020

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 been conducted or are planned to be undertaken by the following committees and panels of the Board of the GCF during the reporting period from 1 October to 31 December 2019:

- (a) Budget Committee;
- (b) Ethics and Audit Committee;
- (c) Independent Technical Advisory Panel; and
- (d) Risk Management Committee.

I. Introduction

1. This report covers the reporting period of 1 October 2019 to 31 December 2019, and it also indicates activities planned to be carried out by the committees and panels of the Board of the GCF in advance of its twenty-fifth meeting (B.25).

II. Report on the activities of the Budget Committee

2. This report addresses the mandate given to the Budget Committee (BC) in annex XXX to decision B.12/37, to provide budgetary guidance to the Board on the preparation and implementation of the administrative budget and annual work programme of the Secretariat.

3. The BC conducted four virtual meetings, one each on 1, 10, 15 and 28 October 2019, and one in-person meeting on 10 November 2019. During the reporting period, BC members also shared views via email.

4. The BC reviewed the budgets and work programmes for 2020 of the three independent units during the virtual meetings held on 1, 10 and 15 October 2019. BC members made several comments on the work programmes and budgets presented by the independent units and requested a downward adjustment to the budgets. On 28 October 2019, the BC endorsed the revised independent unit budgets for 2020.

5. The BC reviewed the document titled “Report on the execution of 2019 administrative budget” on 1 October 2019, provided comments, and then endorsed a revised version of the report on 17 October 2019 via email.

6. The BC reviewed the amounts to be set aside for the foreign exchange commitment risk buffer for solvency risks on 10 October 2019 and endorsed it on 17 October 2019.

7. The BC reviewed the work programme of the Secretariat and administrative budget for 2020 on 10 October 2019. BC members made several comments on the budget presented by the Secretariat and requested a downward adjustment to the budget. The BC then endorsed the revised Secretariat budget for 2020 on 28 October 2019.

8. At the in-person meeting of the BC on 10 November 2019, the Secretariat presented the budget proposal on the implementation of the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH). The BC provided several comments to the Secretariat and requested that this matter be brought back to the attention of the BC after incorporating the suggestions made. With the aim of bringing more efficiency to BC deliberations, during this meeting the BC also discussed the lessons learned during 2019, particularly those related to the 2020 budgeting process.

2.1 Next steps

9. The BC will convene virtual meetings before B.25 and an on-site meeting on the margins of B.25.

III. Report on the activities of the Ethics and Audit Committee

3.1 Introduction

10. The Ethics and Audit Committee (EAC), a standing committee of the Board, continues its task, in accordance with its terms of reference (decision B.05/13, annex XVIII), to provide guidance on issues of conflicts of interest, confidentiality, ethics, financial management,

procurement and other audit functions as they relate to the Board. The EAC also provides guidance to the Independent Redress Mechanism (IRM), in accordance with decision B.15/12 and the updated terms of reference of the IRM (decision B.BM-2017/10), and to the Independent Integrity Unit (IIU), pursuant to decision B.14/01, paragraph (e), and its workplan and terms of reference as adopted in decision B.06/09, annex IV.

11. This report covers the period from 1 October 2019 to 31 December 2019, and it indicates activities planned to be carried out by the EAC. During the reporting period, the EAC held one in-person meeting at the twenty-fourth meeting of the Board (B.24). Additionally, the EAC held two virtual meetings during the reporting period to discuss and provide guidance to the Secretariat, the IIU and the IRM on the key mandates given by the Board.

3.2 Activities during the reporting period

12. The following items were the main issues considered by the EAC during the reporting period:

- (a) Draft Policy on Administrative Remedies and Exclusions;
- (b) Update of the fiduciary standards;
- (c) Update of the terms of reference of the IIU;
- (d) Investigation standards;
- (e) Draft workplan and budget of the IIU for 2020;
- (f) Potential conflicts of interest relating to the persons engaged with the GCF;
- (g) Quarterly reports on the activities of the IRM; and
- (h) An advisory report of the IRM: Prevention of sexual exploitation, abuse and harassment (SEAH) in GCF projects or programmes: Learning from the World Bank's Inspection panel cases.

13. The meetings were attended by EAC members, advisers, the staff and Heads of the IRM and IIU, and the Secretariat.

3.3 Activities addressing mandates from the Board

3.3.1 Matters concerning the Independent Integrity Unit

14. Through decision B.22/19 paragraph (b), the Board requested the IIU, in consultation with the Secretariat, to develop policies on administrative sanctions and exclusions for consideration by the Board in 2019. Prior to the twenty-third meeting of the Board, the EAC received a scoping paper developed by the IIU seeking its guidance on the development of a policy on sanctions and exclusions (i.e. administrative remedies), on which the EAC provided feedback. During the reporting period, the EAC received from the IIU a draft Policy on Administrative Remedies and Exclusions, which will be presented to the Board during 2020 for discussion and approval. The policy sets out the procedure and processes of the integrity enforcement regime following the conduct of an investigation of prohibited practices. The EAC discussed and provided feedback to the IIU on the key elements of the draft policy.

15. During the reporting period, the EAC received the draft investigation standards of the IIU. The investigation standards have been developed pursuant to paragraph 61 of the Policy on the Protection of Whistleblowers and Witnesses and paragraph 15(c) of the terms of reference of the IIU. The EAC will review and discuss the draft investigation standards at future meetings.

16. The IIU informed the EAC of the initiation of the process of updating the initial fiduciary standards of the GCF. The mandate to update the fiduciary standards arises from the following Board decisions: B.14/01 paragraph (f), the workplan of the Board 2017; decision B.BM-2018/21, paragraph (c) of the Policy on the Protection of Whistleblowers and Witnesses; and decision B.23/16, paragraph (b) (i), of the policy on the Prevention and Protection from Exploitation, Sexual Abuse and Sexual Harassment (SEAH Policy). By these decisions the Accreditation Committee is required (in consultation with the Head of the IIU) to propose to the Board the best way to integrate the integrity policies into the fiduciary standards; and the Secretariat, in consultation with the Accreditation Committee and the IIU, is required to revise the initial basic fiduciary standards to ensure that accredited entities have effective policies and practices in place which are comparable to those set out in these two policies. The EAC looks forward to being kept apprised of progress in this important area.

17. The EAC received informational updates from the IIU on proposed amendments to the terms of reference of the IIU to clarify certain ambiguities. These amendments are necessary, in view of some of the operations that the IIU is embarking upon and the strengthening of the proactive prevention function of the IIU. The EAC expects to review the proposed amendments to the terms of reference of the IIU at a future meeting.

18. In accordance with the terms of reference of the IIU, adopted pursuant to decision B.15/12, the Head of the IIU is mandated to submit the annual workplan and budget of the IIU to the Board through the EAC. The EAC reviewed the workplan and budget of the IIU for 2020 and called on the IIU to provide further information on the proposed budget. The EAC subsequently received further information from the IIU and approved the annual workplan and budget of the IIU for 2020 for submission to the Board at B.24.

3.3.2. Matters addressing conflicts of interest

19. At its meeting on 9 October 2019, following discussions on the potential conflicts of interest relating to persons engaged with the GCF, as requested by the Board at its sixteenth meeting,¹ the EAC approved proposed revisions to paragraph 25 of the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund. The revisions address the issue of the potential conflicts of interest that arise when individuals who have served as members of the Board subsequently join institutions that do business with the GCF. The IIU also put forward a proposal to identify additional gaps in the policy and presented its recommendations for further strengthening the policy. The IIU will work to further refine the policy for consideration by the EAC. The EAC will review any proposed revisions to the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund in order to make a recommendation to the Board.

3.3.3. Matters concerning the Independent Redress Mechanism

20. The EAC received the quarterly reports on the activities of the IRM, which covered the periods from July to September and October to December 2019. The reports provided updates on the progress made by the IRM based on its workplan and budget. The IRM consulted with the EAC, as mandated by the Board pursuant to decision B.15/12 and clause 6 of the updated terms of reference of the IRM (decision B.BM-2017/10), reporting to the EAC on a quarterly basis.

21. The EAC has requested the IRM and the IIU to regularly report to the EAC on the external engagements undertaken by the two independent units to inform the EAC on the events, discussions, outcomes and lessons learned from these external engagements. The EAC received four reports which provide a summary of the engagements undertaken by the IRM in

¹ Document GCF/B.16/Inf.04/Add.02, paragraph 8.

September to November 2019. The EAC expects to receive such informational updates from the IRM and IIU on a regular basis.

22. The EAC received from the IRM an advisory report, titled “Prevention of Sexual Exploitation, Abuse and Harassment (SEAH) in GCF projects or programmes: Learning from the World Bank’s Inspection Panel cases”, based on good international practice along with the Secretariat’s management response. In accordance with the terms of reference of the IRM, adopted pursuant to decision B.BM-2017/10, the Head of the IRM is mandated to recommend reconsideration of relevant policies, procedures, guidelines and systems of the GCF to the Board through the EAC. The EAC will address the subject again at a future meeting ahead of an expected Board-level discussion on the advisory report at the twenty-fifth meeting of the Board.

3.4 Next steps

23. The EAC will continue to address the items still outstanding from the meetings during the reporting period and will update this report to the Board accordingly.

IV. Report on activities of the independent Technical Advisory Panel

24. The independent Technical Advisory Panel (TAP) continued to review funding proposals and conduct its assessments based on the initial investment framework and guidelines provided through various subsequent decisions.

25. Since the previous reporting period, the independent TAP received 10 funding proposals. Of these, two were resubmissions that either the independent TAP had declined or where the TAP assessment was deferred based on a request made by the accredited entity (AE) in advance of B.24. In addition, there was one simplified approval process funding proposal that was endorsed by the independent TAP for submission to B.24; however, the AE deferred the submission.

26. The Secretariat forwarded 10 funding proposals to the independent TAP on 13 December 2019. The independent TAP met in Songdo from 13 to 17 January 2020. The independent TAP assessed all 10 funding proposals. In carrying out these assessments, the independent TAP continued to engage with the AEs. This was done by sending written questions and receiving written responses as well as through virtual calls and face-to-face meetings to present the TAP assessments and discuss possible conditions and recommendations.

27. Out of the 10 funding proposals, the independent TAP endorsed 7 for B.25.

28. Three funding proposals were not endorsed. One funding proposal needed to present consistent arguments and linkages between climate change impacts and project benefits. Two funding proposals needed further clarifications and enhancements of the implementation arrangements.

29. Two funding proposals resubmitted or deferred from B.24 were confirmed to have had addressed TAP concerns. Accordingly, both were endorsed.

30. The independent TAP did not mobilize and seek the support of external experts in the roster given time constraints. The independent TAP notes the current roster remains small; therefore, it is insufficient to supplement the technical scope and capacity of the independent TAP in a timely manner if funding proposals are increased and their technical coverage diversified. The external expertise required includes that relating to project costs and budgeting, mitigation calculation and monitoring, and sustainable land use and forestry.

31. The independent TAP held a second session to disseminate lessons learned a day before the formal proceedings of B.24. The session discussed (i) sustainability aspects critical in water adaptation projects and (ii) common gaps observed in forestry and land use sector funding proposals. About 30 people participated in the session.

32. The independent TAP plans to organize a third session to share lessons learned at B.25. The session will discuss issues relating to (i) theory of change and (ii) programmatic approach funding proposals.

4.1 Matters where specific guidance from the Board is sought

33. The independent TAP plans to hold a retreat to discuss the TAP assessment process and approaches in anticipation of an increasing number of and more complex funding proposals. The venue and exact timing have yet to be determined. The independent TAP welcomes the Board's guidance and suggestions regarding the agenda of the retreat.

V. Report on the activities of the Risk Management Committee

5.1 Introduction

34. Through decision B.17/11, the Board adopted the first set of components of the risk management framework, which includes the revised risk register, risk appetite statement, risk dashboard and risk guidelines for funding proposals. Also through decision B.17/11, the Board requested the Secretariat to further develop the risk dashboard and the underlying methodologies for consideration by the Board at B.18. 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 Risk Management Committee (RMC), and present the risk rating models to the Board for consideration at B.19.

35. At B.18, 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. Through decision B.18/01, the Board approved the workplan of the Board for 2018 and decided to postpone the presentation of the risk rating methodologies for consideration by the Board to B.20.

36. The Board, through decision B.19/04, adopted the second set of components of the risk management framework, which includes three risk policies governing investment, non-financial risks and funding risks, respectively. Through the same decision, the Board also decided to update the risk dashboard with the revised approach to reporting on concentration and requested the Secretariat to publish the updated risk dashboard every quarter thereafter.

37. At B.20, the agenda item "Risk management framework: compliance risk policy" was not opened by the Board and, therefore, no decision was taken under this item. At the same meeting, through decision B.20/03, the Board took note of the updated workplan of the Board for 2018 and decided to defer consideration of the risk rating models, inter alia, and requested the Secretariat, in consultation with the Co-Chairs and relevant committees, panels and groups of the Board, to progress its work on the matter and present it for consideration by the Board at the earliest possible opportunity.

38. At B.21, the agenda item "Risk management framework: compliance risk policy" was not opened and, therefore, no decision was taken under this item. At the same meeting, through decision B.21/04, the Board approved the workplan of the Board for 2019 and decided to defer consideration of the remaining components of the risk management framework, inter alia, and

requested the Secretariat, in consultation with the Co-Chairs and relevant committees, panels and groups of the Board, to progress its work on the matter and present it for consideration by the Board at the earliest possible opportunity.

39. At B.22, no decision was taken by the Board on the agenda item “Risk management framework: compliance risk policy” and the item was deferred to B.23.

40. At B.23, the Board adopted risk management framework component VIII – compliance risk policy, through decision B.23/14.

41. At B.24, the Board, through decision B.24/04 paragraphs (h)(iii) and (h)(iv), requested the RMC to review in 2020 the initial financial risk management framework and components I-VII of the risk management framework.

42. Furthermore, at the same meeting, through decision B.24/04, paragraph (j), the Board delegated to the Secretariat the development of the risk rating models, with the proviso to bring any recommendations requiring Board attention back to the Board.

43. In decision B.12/31, paragraph (d), the Board requested the Executive Director to regard the template accreditation master agreement (AMA) as the basis for negotiations with AEs. 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.

5.2 Report on activities of the Committee

44. During the reporting period from 1 October to 31 December 2019, the RMC held two formal meetings and conducted activities via email. The RMC discussed and provided guidance to the Secretariat on the mandates related to risk and compliance given by the Board, including: (i) development of the risk management framework and its underlying policies, guidelines and tools; and (ii) AMA consultation.

45. The Secretariat provided the RMC with updates on the legal risk policy, risk rating models, and the investment strategy agreed with the Trustee. The Secretariat also presented the RMC with a proposed workplan for 2020. In addition, the Secretariat consulted with the RMC on the risk dashboard for the third quarter of 2019 prior to its publication on the GCF website in November 2019.

46. The RMC was also consulted on the following AMAs during the reporting period:

- (a) AMA with Compañía Española de Financiación del Desarrollo (“COFIDES”);
- (b) AMA with The Pacific Community (“SPC”);
- (c) AMA with National Fund for the Environment and Climate of Benin (“FNEC”);
- (d) AMA with Alternative Energy Promotion Centre (“AEPC”);
- (e) AMA with Finanzas y Negocios Servicios Financieros Limitada (“FYNSA”);
- (f) AMA with Save the Children Australia (“SCA”); and
- (g) AMA with Agence Belge De Développement (“ENABEL”).

47. During the RMC review of the above AMAs, no objections were received from the RMC by the respective deadlines and the Secretariat proceeded to issue the execution version of the AMAs to the entities for signature.



5.3 Next steps

48. The RMC plans to meet virtually in January 2020 and will hold a meeting in March 2020 prior to B.25.
