



**GREEN
CLIMATE
FUND**

Meeting of the Board
9 – 13 November 2020
Virtual meeting
Provisional agenda item 6

GCF/B.27/Inf.11/Add.01

5 November 2020

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 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 1 July 2020 to 30 September 2020:

- (a) Budget Committee;
- (b) Performance Oversight Committee; and
- (c) Risk Management Committee.

I. Introduction

1. This report covers the reporting period of 1 July 2020 to 30 September 2020, and also indicates activities planned to be carried out by the committees and panels of the Board of the GCF in advance of its twenty-seventh meeting (B.27).

II. Report on activities of the Budget Committee

2. The 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.

2.1 Activities during the reporting period

3. During the reporting period, the BC conducted five virtual meetings on 17 August, 4 September, 7 September, 11 September and 14 September. Apart from the virtual meeting, several issues were resolved through the exchange of views via email.

4. The BC reviewed the document “Initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of the GCF”. It also took notes of the comments raised by the Risk Management Committee (RMC) and then agreed to incorporate the recommendations from the RMC. The BC endorsed the revised document on 20 October for further consideration at the Board meeting.

5. The BC also reviewed the preparatory work for the administrative budget for 2020 with the Secretariat and the three independent units

6. The BC reviewed 2021 Work Plan (WP) and Budget for the Independent Integrity Unit (IIU) the Independent Redress Mechanism Unit (IRM), the Independent Evaluation Unit (IEU) and the Secretariat throughout the virtual meetings on 4 September, 7 September, 11 September and 14 September. The BC members also provided their written comments on these documents via email.

7. During the budgeting process, the BC identified the need of an annual contingency budget (given different risk scenarios), the need to take a step-wise approach for approving certain budget line items, the need to provide additional details and disclosure to the Board on the step-wise cost allocation approach taken for the independent units. The BC also recommended that all the budgets should include the organisation chart of the respective units.

8. During the budget process, the BC Chair liaised with the chair of the Ethics and Audit Committee, Co-Chairs of the Board, and the heads of the independent units to exchange the views and to have better understanding of the budgetary challenges.

9. The BC considered and endorsed the 2021 budget of the Secretariat, IRM and IIU on 16 October. The BC also considered and endorsed the 2021 budget of the IEU on 19 October.

10. For the 2021 budgeting process, the BC started the budget preparation process earlier than previous years. The BC chair held an initial budget meeting with the Deputy Executive Director, heads of independent units, EAC chair and the Co-Chairs. The preparation meeting and early notice to the BC members helped the timely preparation of the initial budgets. Since the BC’s work also depends on the other thematic committees, one of the lessons learned was the need for a clearer and stronger alignment and sequencing with other more policies-related committees. This would help conducting the business smoothly and in timely fashion. Finding the quorum, particularly at short notice, has been an issue for the BC. Saying this, the BC has effectively used the written process to make decisions, when needed and appropriate.

2.2 Next steps

11. The BC will convene next virtual meetings after B.27 meeting.

III. Report on the activities of the Performance Oversight Committee

12. The Performance Oversight Committee (POC) was newly reconstituted with the following members: Mr. Ayman Shasly, Mr. Nauman Bhatti, Mr. Terje Kronen and Ms. Sue Szabo, and held the first meeting on 11 August.

3.1 Activities during the reporting period

13. The new chair of the POC, Mr. Ayman Shasly, was nominated among the committee members. The new Chair's appointment would be from 1 July 2020 to 31 December 2021.
14. Ms. Corina Elena Arroyo de Bellorin, the new Head of Human Resources, had been nominated by the Executive Director as the Secretariat official responsible for liaison with the POC.
15. With the Secretariat's support, through Office of Human Resources (OHR) and the Procurement team, the POC conducted the technical evaluation for the consulting service of the Board-appointed officials' performance overview. The Secretariat has submitted the final evaluation memo to the POC for approval, including a budget increase from the winning bidder.
16. The decision was made that the Board should appoint an ad hoc committee for the selection process of the Head of Independent Evaluation Unit.

3.2 Next steps

17. With the budget committee's clearance regarding the budget increase of hiring the consulting service, the contracting process takes place to finalize the RFP.
18. The POC will consult with the Budget Committee regarding the 2017-2019 merit pay for the Head of IUs.

IV. Report on the activities of the Risk Management Committee

19. 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.
20. 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. 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.

21. The Board, through decision B.19/04, adopted the second set of components of the RMF which included three risk policies governing investment, non-financial 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.
22. At its twentieth meeting, the agenda item on “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 work plan of the Board for 2018 and decided to defer the 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 them for consideration by the Board at the earliest possible opportunity.
23. In Bahrain, at the twenty-first meeting of the Board, the agenda item on “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 the 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 them for consideration by the Board at the earliest possible opportunity.
24. At the twenty-second meeting of the Board, no decision was taken by the Board on agenda item “Risk management framework: compliance risk policy” and the item was deferred to B.23.
25. In Songdo, at the twenty-third meeting of the Board, the Board adopted the risk management framework component VIII – compliance risk policy, through decision B.23/14.
26. At its twenty-fourth meeting in Songdo, the Board, through decision B.24/04 paragraphs (h) (iii) and (iv), requested the RMC to review in 2020 the initial financial risk management framework and components I-VII of the risk management framework.
27. 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.
28. 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 Risk Management Committee (RMC), whether a change is considered substantive on a case-by-case basis and would require Board approval.

4.1 Report on activities during the reporting period

29. During the reporting period from 1 July to 30 September 2020, the RMC welcomed Mr. Stéphane Cieniewski to the RMC. Mr. Cieniewski replaced Mr. Christophe Bories as Board member. The RMC thanks Mr. Bories for his contribution to the RMC and looks forward to working closely with the new RMC members.
30. The RMC held two formal meetings and conducted activities via e-mail correspondence. The RMC discussed and provided guidance to the Secretariat on the mandates related to risk and compliance given by the Board, including: (i) the review of the initial financial risk management framework; (ii) the development of the risk management framework and its underlying policies, guidelines and tools; (iii) review of Q2 Risk Dashboard; (iv) AMA

consultation; (v) the review of the SEAH policy; (vi) the review of the policy on Programmatic Approach; (vii) review of AML/CFT SOPs; and (viii) COVID-19 impact on GCF' operations

31. The Secretariat provided the RMC with updates on the legal risk management, risk rating models, analysis of currency risk on non-USD contributions, as well as presented the RMC with a revised paper on the initial financial risk management framework including the proposed changes.

32. With respect to the legal risk management, the Secretariat proposed to the RMC that the approach to handling legal risk be done through an internal legal risk management guidance, rather than as a formal Board policy. The RMC requested further information on this approach and indicated it would be discussed at the 21 October meeting of the RMC.

33. Through decision B.24/04 paragraph (h) (iii), the Board requested the Risk Management Committee, with the support of the Secretariat, to review in 2020 the initial financial risk management framework pursuant to the review mandated by decision B.07/05, paragraph (f) and if action by the Board is required as a result of the review, to present recommendations to the Board for its consideration and approval.

34. The initial financial risk management framework adopted pursuant to decision B.07/05 paragraph (b) comprises two documents; namely the "Initial financial risk management framework" and the "Financial arrangements for grants and concessional loans and the role of implementing entities and intermediaries in financial arrangements".

35. The Secretariat conducted an internal review of the initial financial risk management framework and submitted a revised paper with proposed changes to the RMC for its consideration in April 2020. Following its thorough review of the revised paper, the RMC determined that the proposed changes to the initial financial risk management framework are not material changes to the document. There was consensus within the RMC that action by the Board is not required on this matter.

36. The chair of the RMC thus reported this review outcome to the Co-Chairs in May 2020 and recommended to the Co-Chairs that the Board is updated on this matter via the Report of the activities of the Committees. The Co-Chairs, having reviewed the revised document with the proposed changes, conferred and agreed with the RMC's determination that the changes are non-material. The Co-Chairs also agreed with the RMC's recommendation to update the Board on this matter via the Report of the activities of the Committees accordingly.

37. The revised initial financial risk management framework document with tracked changes is contained in Annex I and II to this report. The clean version of the revised initial financial risk management framework will supersede the initial financial risk management framework adopted pursuant to decision B.07/05 paragraph (b) and will be published on the GCF website.

38. Regarding AMAs, the RMC was also consulted on the following AMAs during the reporting period:

- (a) AMA with EcoBank Ghana Limited ("EcoBank");
- (b) AMA with the Bhutan Trust Fund for Environmental Conservation ("BT FEC");
- (c) AMA with Attijariwafa Bank ("AWB");
- (d) AMA with CRDB Bank Plc, Tanzania ("CRDB");
- (e) AMA with the Government of Uganda, acting by and through the Ministry of Water and Environment ("MWE UGA");
- (f) AMA with Financiera del Desarrollo S.A. ("FINDETER");
- (g) AMA with the Trade and Development Bank of Mongolia LLC ("TDB Mongolia"); and

(h) AMA with Macquarie Alternative Assets Management Limited (“MAAML”).

39. During the RMC’s review of the EcoBank, BTFEC, AWB, CRDB, MWE UGA, FINDETER, TDB Mongolia and MAAML 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.

4.2 Next steps

40. The RMC plans to meet virtually after to the twenty seventh formal meeting of the Board.
