



**GREEN  
CLIMATE  
FUND**

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Virtual meeting  
Provisional agenda item 6

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17 June 2021

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# Reports from committees, panels and groups of the Board of the Green Climate Fund – Addendum I

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## **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 January to 30 April 2021:

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

## I. Introduction

1. This report covers the reporting period of 1 January 2021 to 30 April 2021, and also indicates activities planned to be carried by the committees and panels of the Board of the GCF in advance of its twenty-ninth meeting (B.29).

## II. Report on activities of the Budget Committee

2. The report addresses the mandate given to the Budget Committee (BC) in annex II 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 two virtual meetings on 25 January and 11 February. Apart from the virtual meeting, several issues were resolved through the exchange of views via e-mail.

4. On its meeting on 25 January 2021, the BC members unanimously agreed that Mr. Jose Delgado should continue to chair the BC for 2021 subject to future findings and decisions on committees and panels.

5. The BC reviewed the Second Performance Review (SPR) Budget, presented by Independent Evaluation Unit (IEU), on 25 January 2021, and provided their comments. The BC scrutinized the budgetary request based on the approach proposed and endorsed the budget on 18 February. The BC reinforced that they could only endorse the budget elements. It also noted that the SPR approach and process is beyond the BC mandate and will be subject to the Board review.

6. The BC reviewed the document “Cost implications of the implementation of SEAH Policy and Environmental and Social Policy Revisions” and provided their comments via e-mail. The BC endorsed the budget on 15 February 2021.

7. On 25 January 2021, the BC revisited the document “Initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of the GCF” and provided their comments. The BC had already endorsed the revised document on 20 October 2020. The BC agreed to present this document as in between the Board meeting decision.

8. The BC reviewed the document titled “Report on the execution of 2020 administrative budget” on 11 February 2021, provided comments, and then endorsed the report on 22 February 2021, via e-mail.

9. BC members requested a background paper on the expected impact on consultants and travel budgets for 2021 in light of the COVID-19.

10. The BC also requested that the Secretariat and all the independent units standardize the budget descriptions wherever possible.

### 2.2 Next steps

11. The Budget Committee will be involved on the following matters before B.29 meeting:

(a) Review and endorsement of “Report on the execution of 2021 administrative budget for the period from 1 January to 30 April 2021”;

(b) Review and endorsement of the Contingency budget within the Secretariat budget;

- (c) Take note of the document on the Forex risk buffer;
  - (d) Review and endorsement of the cost implications for implementing Phase I of the remedial measures under the document "Addressing gaps in the current portfolio for measurement.";
  - (e) Take note of the budget re-allocations from the Secretariat and IEU;
  - (f) Take note of the 2020 Audited Financial statements; and
  - (g) Other issues as may arise.
12. The BC will convene its virtual meetings before B.29 meeting.

### **III. Report on the activities of the independent Technical Advisory Panel**

13. 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.

14. Since the previous reporting period, the TAP received seven funding proposals, of which one was a resubmission. The funding proposals were forwarded by the Secretariat to the TAP on 9 April 2021 as scheduled.

15. Because of travel restrictions imposed globally, the TAP meetings all took place online. During this assessment cycle, the TAP had online meetings for 12 days, in which all TAP members, the Secretariat, and accredited entities (AEs) participated. In addition, the TAP members had numerous side meetings online among themselves or with the Secretariat to discuss specific funding proposals.

16. The TAP assessed all seven funding proposals. In carrying out these assessments, the TAP continued to engage with the AEs. This was done by sending written questions and receiving written responses, as well as through conference calls to present the TAP opinions and discuss possible conditions and recommendations.

17. On 21 May 2021, the TAP concluded its assessment reports and submitted them for editing.

18. Of the seven funding proposals assessed, the TAP endorsed four of them for consideration at the twenty-ninth meeting of the Board (B.29). Three funding proposals were not endorsed. Of the three funding proposals not endorsed, one was a resubmission from B.27 and the two others were new submissions. The TAP believes that additional work is required to present more comprehensive and consistent arguments to justify the adaptation interventions. The climate rationale was weak or not developed in the funding proposals that were not endorsed.

19. The TAP recognizes the importance of having unified and accepted criteria within GCF on climate rationale for adaptation. To this end, the TAP submitted a guidance note on climate rationale to the Climate Impact Assessment Network (C-NET) within the Secretariat on 22 March 2021. This guidance note complements other guidance documents on climate rationale produced and presented by the TAP to AEs and the Secretariat during "Meet iTAP" meetings. The Chair of the TAP also discussed with the new Climate Science Lead in the Office of the Executive Director, Mr. Kevin Horsburgh, ways to implement climate rationale for adaptation programmatic funding proposals.

20. Mr. Joe Yamagata, the Chair of the TAP since B.11, resigned on 31 March 2021 for personal reasons. Mr. Daniel Nolasco, a member of the TAP since B.15, took the role of Chair on 1 April 2021. The TAP was left with nine members for assessments for B.29. The TAP has

already informed the Co-Chairs and Investment Committee of the Board of its desire to recruit an additional member to complete the 10 seats. Ideally, the new member of the independent TAP should have a background in forestry and land use.

21. Starting from B.30, the TAP will start assessing funding proposals under the Board's newly adopted operational modality (rolling basis) approved by the Board at B.28. The Chair of the TAP held a meeting with the Secretariat on 5 April 2021 to discuss the operationalization of the new assessment process. The TAP also started the process of expanding its Roster of Experts by recruiting additional international consultants in the areas of REDD+, forestry, land use, transportation, infrastructure, fisheries, coastal zones, etc. These additional consultants will be needed by the TAP given the shorter time frame allocated for assessments.

22. The TAP has further discussed with the Secretariat's Information and Communication Technology (ICT) team to work on establishing an operational platform where the TAP will be able to store all of its assessments and interactions with the Secretariat and AEs to enhance consistency and efficiency in TAP operations. The platform will also enable the TAP to prepare and share draft assessments online. The TAP has provided all its support to the ICT team, which is currently developing the platform for operationalization by the end of June 2021.

## IV. Report on activities of the Risk Management Committee

23. This report covers the reporting period of 1 January 2021 to 30 April 2021. Activities that the Risk Management Committee (RMC) plans to carry out in advance of the Board's twenty-ninth meeting are also included.

### 4.1 Activities during the reporting period

24. The RMC had several discussions to nominate and elect a new chair. Absent clear rules or procedures for electing or rotating the position and given Mr. Jock Geselschap's willingness to continue to act as interim chair, the arrangement will be as such until another party expresses interest in taking over.

25. The RMC held three formal meetings during the reporting period, all virtually, and conducted business via e-mail correspondence. The RMC deliberated and provided guidance to the Secretariat on Board mandates related to risk and compliance, including: (i) development of the risk management framework and its underlying policies, guidelines and tools; (ii) accreditation master agreement (AMA) consultation; (iii) review of the SEAH policy; (iv) review of the legal risk guidance; (v) RMC 2020 accomplishments and 2021 workplan objectives; and (vi) review of Q4 2020 risk dashboard.

26. The Secretariat provided regular updates to the RMC on AMA status, GCF portfolio, development of risk rating models, and AE concentration.

#### 4.1.1. AMAs

27. The RMC was consulted on the AMAs of the following entities during the reporting period:

- (a) Banco Nacional de Desenvolvimento Econômico e Social ("BNDES");
- (b) Inter-American Investment Corporation ("IDB Invest");
- (c) Crédit Agricole Corporate and Investment Bank ("CACIB"); and
- (d) Camco Management Limited ("CAMCO").

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

29. Following the reporting period, the RMC also reviewed, and subsequently cleared, the AMA with National Trust for Nature Conservation ("NTNC"). The Secretariat expects to submit for RMC review further AMAs on a no-objection basis in June.

#### 4.1.2. GCF portfolio

30. The Secretariat presented to the RMC the post-approval status of the projects, particularly with regards to the disbursement and repayment of GCF loans. The RMC requested prompt FAA signing following the Board's approval of a project. The Secretariat stated ongoing efforts to shorten such time gap, and indicated recent progress where FAAs were signed either immediately, or within one week, upon project approval.

31. At the RMC's March meeting, the Secretariat also updated the RMC on the implementation status of projects currently on watch, as well as the post-B.28 pipeline and its sectoral composition.

#### 4.1.3. AE concentration

32. For information of the RMC and to receive any feedback or guidance from RMC for revision of Risk Management Framework, the Secretariat presented AE concentration, including AE shares in climate impact for both mitigation and adaptation.

33. The RMC stressed the need for a focus on direct access entities. RMC members mentioned that although some countries have no AEs or have a few projects approved, they have projects with a large volume of funding in link to the international entities. However, with these projects, it is difficult to see changes at a grassroots level.

34. The RMC inquired on the development ex ante evaluation and ex post measurement, on which the Secretariat added that it is important to set ex ante properly, because it is effectively setting targets and benchmarks for which the GCF can measure the realization of impacts over time. This is also linked to the Secretariat's strategic plan, which envisions an impact number ideal to international standards.

#### 4.1.4. Risk rating models

35. The Secretariat has been working on the development of Project Success Rating (PSR), a tool to estimate the likelihood of a project / program achieving its envisaged climate impact. The Secretariat presented to the RMC the revised model that factors in the earlier guidance shared by the RMC. The RMC reviewed the changes and cleared the PSR model.

36. In addressing the RMC's concern that a project may have low likelihood of success per the model, the Secretariat explained that PSR is not primarily a decision-making tool, rather a monitoring and evaluation tool that can raise red flags along the project life cycle. Further, PSR falls under the Risk Management Framework but has some linkages to the investment framework. PSR will not be used to verify the impact estimated by the AE.

#### 4.1.5. Guidance on legal risk

37. In the RMC's January meeting, updates were presented that the Secretariat has reached consensus on the form, focus and content of the redeveloped legal risk policy, *Risk Management Framework: Guidance on Legal Risk* (the "Guidance"). The *Guidance* sets out the guidelines for



identification, prevention, mitigation and management of legal risks arising from the activities and operations of GCF.

38. Subsequently, with the RMC's acknowledgement and confirmation of their alignment with the content, the *Guidance* was packaged for final consideration by the ED and received his endorsement in late January.

39. The Secretariat is in the process of publishing the *Guidance* on the dedicated GCF policies and strategies website. Also, will be published is the revised initial financial risk management framework.

## 4.2 Next steps

40. The RMC plans to continue its regular virtual meeting every month.

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