



**GREEN
CLIMATE
FUND**

Meeting of the Board
4 – 7 October 2021
Virtual meeting
Provisional agenda item 9

GCF/B.30/Inf.08/Add.01

23 September 2021

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

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 May 2021 to 31 August 2021:

- (a) Budget Committee;
- (b) Performance Oversight Committee of the Board Appointed Officials; and
- (c) Risk Management Committee.

I. Introduction

1. This report covers the reporting period of 1 May 2020 to 31 August 2021, and also indicates activities planned to be carried out by the committees and panels of the Board of the GCF in advance of its thirtieth meeting (“B.30”).

II. Report on activities of the Committee/Panel/Group

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 four virtual meetings on 1 June, 22 June, 30 August, and 31 August. Apart from the virtual meeting, several issues were resolved through the exchange of views via email.

4. In its meeting on 1 June 2021, The BC members reviewed the 2021 budget execution to date. They also sought to understand the structural challenges with the hiring of staff, given that low staff levels were likely to impact the operations of the Fund. They requested an update from the Head of Human Resources on the matter, including measures to address the structural challenges.

5. The BC reviewed the GCF 2020 audited financial statements. While the BC is not mandated to endorse the audited financial statements, they examine the statements given their connection with the administrative budget and other matters of importance to the BC, such as foreign exchange fluctuations. After reviewing the audited financial statements, the BC requested an update on the Forex Hedging options paper with cumulative foreign exchange gains/losses to date.

6. On 26 June 2021, the BC discussed budget re-allocation requests from the Independent Evaluation Unit (“IEU”) and the Secretariat. Given that the re-allocation requests were linked to staff shortfalls, the BC sought additional information from the Head of Human Resources on the shortfall in planned recruitments.

7. In line with the requirements of decision B.27/07, paragraph (e), the BC also reviewed the proposed allocation of the contingency budget of USD 1,500,545 approved by the Board when it approved the work programme of the Secretariat and administrative budget for 2021. The BC sought clarity on whether the Independent Units (“IUs”) are covered under the contingency budget before endorsing the allocation request.

8. In the same meeting, the BC members reviewed the cost implication of remedial measures for addressing gaps in the current portfolio measurement. The need to review the cost implications was triggered by Board decision B.28/02, paragraph (f), which required the Secretariat to consult and seek confirmation from the BC and the Board on the additional budget needed for phase 1 of the remedial efforts. The BC endorsed the allocation of USD 712,400 requested for the exercise.

9. On 30 August 2021, the BC discussed the 2022 IEU proposed work plan and budget. The BC requested the IEU to make some revisions to their document to refine the organogram and clarify the seniority of the IEU positions. In addition, the BC asked the Head of Finance to provide more information on the cost allocation to IUs, given the increase noted in the IEU budget.

10. The BC also deliberated on the best way to proceed on Independent Integrity Unit and Independent Redress Mechanism budgets, given that the Ethics and Audit Committee (EAC) had not reviewed the budgets. The BC usually reviews the budgets after the EAC clears the work plans and budget. Since this meeting had no quorum, the members present proposed revisiting the discussion when the BC had quorum or requesting all the BC members to provide their written recommendations on the preferred way forward. At the same time, the BC chair asked the Head of Finance to consult with the General Counsel on the possibility of the EAC being requested to endorse the IIU and IRM budgets on a no-objection basis.

11. On 31 August 2021, the BC deliberated on the proposed 2022 Secretariat work programme and budget, proposed 2022 Trustee budget, and 2022 proposed board budget. The BC asked for information on the IU headcount that informed the IU's cost allocation. The BC also requested the Secretariat to clarify whether the contingency budget can be used to support the IUs in the work program document. Besides, the BC asked the Secretariat to consider a downward adjustment to the budget proposal as the 9% increase would not be welcomed from both the constituencies.

12. Since the meeting on 31 August 2021 had a quorum, the BC revisited IIU and IRM 2022 work plans and budgets. Members agreed to provide written comments on the proposed way forward by 2 September 2021. The BC chair would then use members' proposals to consult with the Co-Chairs.

13. In the same meeting, the Secretariat presented the budget implications of the Updated Strategic Plan ("USP") capability review. The BC requested clarity on the seniority of the planned positions in response to the USP capability review. Finally, The BC asked the Secretariat to share all the meeting presentations for further internalization by BC members. The members would then provide additional comments after reviewing the presentations.

2.2 Next steps

14. The Budget Committee will be involved in the following matters before B.30:
- (a) Review and endorsement of "Report on the execution of 2021 administrative budget for the period from 1 January to 31 July 2021";
 - (b) Review and endorse the 2022 administrative budget for the Board, Trustee, Secretariat, and Independent Units;
 - (c) Review of the budget implications of the assessment of the Secretariat capabilities to deliver the updated Strategic Plan 2020 -2023; and
 - (d) Other issues as may arise.
15. The BC will convene its virtual meetings before B.30.

III. Report on the activities of the Performance Oversight Committee

16. The members of the Performance Oversight Committee ("POC") have actively engaged with the SRI Executive ("SRI") to set up the Board-Appointed Officials' ("BAO") evaluation system with the Office of Human Resources ("OHR") support. With high-level confidentiality during the process, the following activities have been operated.

3.1 Activities during the reporting period

17. Mr. Terje Kronen, the representative to the POC from developed country Parties, informed that he will no longer be an alternate member to the GCF Board from 1 June 2021, hence will no longer be the POC member. The POC expressed high appreciation for his dedication to GCF and processed for his replacement in consultation with the Office of Governance Affairs. According to the ruling at the sixth meeting of the Board on the application of paragraph 5 of the Rules of Procedure to committees, panels, and groups,¹ Ms. Anne Smeby Evjen took place for Mr. Terje Kronen as the new POC member.

18. Discussion on the final 2020 performance evaluation report from SRI was held on 17 May 2021. Based on the final report, the POC decided to have an individual meeting with each of the BAOs to provide any opportunities the BAOs might want to discuss their results. The one-on-one sessions with the BAOs happened on 1 June 2021, where one representative from SRI was also present during the meeting.

19. During the twenty-ninth meeting of the Board (B.29), an executive session regarding the BAOs performance evaluation was agreed with the Co-Chairs. The POC prepared the presentation with SRI for the Board regarding two topics: 1) the BAOs performance evaluation for 2020; and 2) Merit pay of the BAOs corresponding to previous periods. Unfortunately, the executive session did not take place during B.29, hence, the decisions are expected to be proposed for the Board approval at the thirtieth meeting of the Board (B.30).

20. The 2021 performance review process took forward from SRI, and the mid-year reviews for the BAOs were completed in July 2021. The mid-year study involved a desk review of GCF publications related to the Independent Units' activities and progress against objectives in 2021 thus far. An individual interview was also conducted with each BAO to discuss the progress and any obstacles to meet their 2021 objectives.

3.2 Matters where specific guidance from the Board is sought

3.2.1. BAO's Merit Increase 2020

21. POC will submit for Board consideration the recommended decision with regards to the BAO's merit increase for 2020, effective from January 2021.

3.2.2. BAO's recognition of merit pay for previous years of service

22. POC will present a recommendation to grant the BAOs merit increase for service years previous to 2020, that were not granted due to the lack of a standard evaluation system, which is the prerequisite for performance or merit-pay.

3.3 Next Steps

23. POC will finalize the decision text to submit for the Board's approval on the BAOs performance evaluation in 2020 and merit pay before 2020.

24. Instructions will be provided to the Secretariat to implement the decision of the Board regarding merit pay for BAO.

25. The full-year evaluation for 2021 will be completed at the end of this year, commencing in November 2021. This will include a desk review of relevant documentation, stakeholder

¹ Paragraph 31, document GCF/B.06/19 titled "Report of the Sixth Meeting of the Board, 19-21 February 2014".

consultation through one-on-one interviews and an online survey, together with self-assessment by the BAOs.

IV. Report on activities of the Risk Management Committee

4.1 Activities during the reporting period

26. The Risk Management Committee (“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) Policy to minimize the effect of currency fluctuations on the commitment authority of the GCF; (ii) Accreditation Master Agreement (“AMA”) consultation; (iii) review of the Risk Management Framework; and (iv) Q1 2021 risk dashboard. RMC also took note of the Dalberg study and its impact on the staffing of the Office of Risk Management and Compliance (“ORMC”) staffing.

27. The Secretariat provided regular updates to the RMC on AMA status, GCF portfolio, and funding proposal review from a risk perspective.

4.1.1. AMAs

28. The RMC was consulted on AMAs negotiated with the following entities during the reporting period on a no-objection basis for a period of 10 calendar days:

- (a) National Trust for Nature Conservation (“NTNC”);
- (b) Small Industries Development Bank of India (“SIDBI”);
- (c) BNP PARIBAS S.A. (“BNP Paribas”)
- (d) United Nations Industrial Development Organization (“UNIDO”);
- (e) Kemitraan bagi Pembaruan Tata Pemerintahan (“KEMITRAAN”); and
- (f) Inter-American Institute for Cooperation on Agriculture (“IICA”).

29. During the RMC’s review of the above AMAs, no objections to the AMAs agreed between the Secretariat and the accredited entities (“AEs”) were received by the respective deadlines, and the Secretariat proceeded to issue the execution version of the AMAs to the entities for signature.

4.1.2. Policy to minimize the effect of currency fluctuations on the commitment authority of the GCF

30. At its August meeting, the Secretariat presented to the RMC the draft policy to minimize the effect of currency fluctuations on the commitment authority of the GCF. With the objective of setting out the ways in which GCF will seek to manage its foreign exchange (“FX”) risk exposure, the policy analyses four available options, and proposes to make use of derivative financial instruments to hedge the net remaining exposure in non-USD currencies aiming to minimise downward price movements in order to ensure stability and predictability of the value of the contributions, while retaining as much exposure to the FX rates as is compatible with the protection required.

31. RMC showed interest in the paper given its importance and potential implications for GCF operations. Members of the committee inquired about the next steps for the policy; the Secretariat explained that the policy will likely be presented to the Board at its thirtieth

meeting. RMC members also expressed satisfaction that the policy will be included in the risk dashboard, and that the Secretariat is building up expertise in this area.

4.1.3. Impact of the Dalberg study on ORMC staffing

32. Upon publication of the Dalberg study prior to B.29, ORMC presented to RMC the Dalberg's analysis and recommendations along with key data pertaining to ORMC staffing requirement estimates.

33. RMC members noted that ORMC is requesting less additional resources than the Secretariat as a whole, and asked that given the Dalberg study is done in a bottom-up manner, whether such capacity will be sufficient for ORMC to fulfil proper risk management work given the expanding GCF portfolio. The Secretariat clarified that there could be a lag and accurate reflection of ORMC need will be made clearer in the coming years. Multiple factors such as increase in funding proposals, more complicated and larger programs, implementation work will all affect workload and hence capacity requirement. The Risk Management Framework ("RMF") is also due for a refresh, which needs resources for that to properly work.

34. RMC members also commented that the amount of information to be digested is significant and may warrant more time for further discussion. As suggested by RMC, a technical session dedicated to the Dalberg report took place before B.29.

4.1.4. Review of Risk Management Framework

35. The Secretariat provided updates to RMC on the review of RMF, the ongoing procurement process, targeted timeline, and progress made on RMF procurement, at its June and August meetings, respectively. RMC members acknowledged Secretariat efforts to ensure that contract and relevant elements of the review are still on track.

4.2 Next Steps

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