



**GREEN
CLIMATE
FUND**

Meeting of the Board
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Provisional agenda item 7

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11 October 2022

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 June 2022 to September 2022:

- (a) Accreditation Committee;
- (b) Budget Committee;
- (c) Ethics and Audit Committee;
- (d) Performance Oversight Committee for the Board-Appointed Officials;
- (e) Accreditation Panel; and
- (f) Independent Technical Advisory Panel.

I. Introduction

1. This report covers the reporting period of June 2022 to September 2022, and also indicates activities planned to be carried out by the Accreditation Committee, Budget Committee, Ethics and Audit Committee, Performance Oversight Committee for the Board-Appointed Officials, Accreditation Panel, and the Independent Technical Advisory Panel in advance of its thirty-fourth meeting (B.34).

II. Report on activities of the Accreditation Committee

2.1 Activities during the reporting period

2. The report of the Accreditation Committee (AC) addresses the mandate given to the AC, in annex IV to decision B.07/02, to provide policy guidance to the Board on accreditation-related matters.

3. At the thirty-first meeting of the Board (B.31), the membership of the AC was constituted. Five members of the AC were appointed by the Board for a term starting on 1 January 2022. It is to be noted that the Latin American and Caribbean States have not yet selected their members for the fourth term of the GCF Board membership, hence one seat is left vacant to be filled in by the members from the Latin American and Caribbean States, once they are selected and appointed to the AC. However, the vacancy does not affect the quorum. To constitute a quorum, two-thirds of the AC members (i.e., four members) must be present at a committee meeting.

4. On 16 July 2022, prior to the thirty-third meeting of the Board (B.33), the AC held a formal meeting and adopted a work plan for the Committee for 2023.

5. On 16 July 2022, the AC also held a meeting jointly with members of the independent Accreditation Panel (AP) to discuss accreditation matters.

6. The Board at B.31 adopted the updates to the Accreditation Framework, and requested the AC, in consultation with the Secretariat and AP, to update the draft working modalities of the Accreditation Panel set out in annex I to document GCF/B.21/Inf.10 titled "Reports from committees, panels and groups of the Board of the Green Climate Fund" to reflect the use of external consultants and/or consultancy firms in the context of reviews of entities in Stage II (Step I) in line with the updates to the Accreditation Framework that will become effective by 1 April 2023, with a view to presenting such working modalities to the Board for its consideration no later than at its first meeting in 2023. The AC plans to continue discussions with the AP on this topic during, in particular during its joint meeting with the AP prior to B.34.

7. In line with the terms of reference for the AP in annex V to decision B.07/02, the AP is composed of six international experts and are selected through a process of nomination by the AC and consideration by the Board for decision-making on appointment. Following the resignation of one AP member in 2021, the AC nominated Ms. Diana Isiye as a senior expert to the AP for the remainder of the term which started on 1 May 2021 and ends on 30 April 2024. The Board endorsed the AC's nomination in decision B.33/06.

8. In decision B.23/15, the Board requested the AC, in consultation with the Head of the Independent Integrity Unit (IIU), to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT) into the interim fiduciary standards of GCF that were adopted in decision B.07/02. The AC was also mandated to bring a proposal for integration of these policies to the Board for consideration. The draft update of the fiduciary standards is under preparation by the IIU, with discussion between the AC and the IIU pending.

III. Report on activities of the Budget Committee

3.1 Activities during the reporting period

9. 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.

10. During the reporting period, the BC conducted six virtual meetings from June 1, 2022 to 31 August 2022. Apart from the virtual meeting, several issues were resolved through the exchange of views via email.

11. At its meeting on June 09, 2022, The Budget Committee (BC) members discussed the Budget Committee workplan for the remainder of the year to have an overview of their input within the year. The Budget Committee also expressed their gratitude to the exiting Head of Finance for the support he had accorded during his tenure at GCF.

12. At its meeting on June 21, 2022, The Budget Committee (BC) members discussed the paper on the review of GCF's Saalry Scales and Benefits. The BC provided their input during the meeting and provided further comments via email on this matter. The BC also discussed the draft paper of Phase 2 of the remedial activities addressing monitoring and evaluation gaps in the GCF portfolio. The BC also reviewed the Budget execution report of the Administrative budget for B.33 circulated via email.

13. At its meetings on June 23, 2022 and June 28, 2022, The Budget Committee (BC) members discussed the paper on the review of GCF's Saalry Scales and Benefits in detail after revisions and responses by the Secretariat and provided their input in the meeting as well via email. The BC reviewed further information provided by the Secretariat in relation to the paper.

14. The BC endorsed the budget request for Phase 2 of the remedial activities addressing monitoring and evaluation gaps in the GCF portfolio on June 28, 2022. The BC also endorsed the paper on the Financial terms and conditions on a no-objection basis on June 30, 2022.

15. At its meetings on August 26, 2022, The Budget Committee (BC) members discussed the policy to minimize the effect of foreign currency fluctuations on the commitment authority of the GCF. The BC members sought clarification on some elements of the Policy and reviewed the budgetary implications on the policy. After the discussions and clarifications the BC agreed to clear it on a no-objection basis. The Paper would also be discussed in a technical session before B.34.

16. The Budget Committee (BC) members discussed the paper on the review of GCF's Saalry Scales and Benefits in detail after revisions and responses by the Secretariat after the B.33 meeting and discussions on August 26, 2022 and then on August 29, 2022. The BC sought further clearance on the budgetary matters in the paper and provided their input in the meeting. The document was circulated for BC written comments by September 1, 2022. The BC kept the September 8, 2022 deadline for the paper to be shared with the CO-chairs. The BC also reviewed the progress on 2023 Budgeting process and provided their guidance on the process and 2023 budget.

3.2 Next steps

17. The BC will meet have multiple meetings during September 2022 to discuss the 2023 Administrative Budgets of the Secretariat, The Board, the Trustee and the three independent Units.

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

18. 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), its workplan and terms of reference adopted in decision B.06/09, annex IV.

19. In July 2022, the EAC elected a new Chair, Mr. Nauman Bhatti.

20. In August 2022, the EAC also welcomed one new member to the Committee; Mrs. Nadia Spencer-Henry who replaced Mr. Albara Tawfiq on the EAC.

21. This report covers the period from 1 June 2022 to 31 August 2022, and indicates activities planned to be carried out by the EAC. During the reporting period, the EAC held three meetings to discuss and provide guidance to the Secretariat, the IIU and the IRM on the key mandates given by the Board.

4.1 Report on activities during the reporting period

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

- (a) Appointment of the interim Head of the Independent Redress Mechanism;
- (b) Matters relating to the Selection of the Head of the Independent Redress Mechanism and the Head of the Independent Integrity Unit;
- (c) Matters concerning financial reporting and audit requirements of the Fund;
- (d) Matters addressing conflicts of interest; and
- (e) Requests for waiver under the Policy on Ethics and Conflict of Interest for Active Observers.

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

4.2 Activities addressing mandates from the Board

4.2.1. Matters concerning financial reporting and audit requirements of the Fund

24. **External Audit** - The Board, by decision B.08/18, approved the terms of reference of the External Auditor as set out in annex XXVII of document GCF/B.08/45, and through decision GCF/B.BM-2020/12, the Board approved the appointment of Nexia Samduk as the External Auditor of GCF. The audited financial statements for the year ending 31st December 2021 were presented to the Ethics and Audit Committee on 18th July 2022 and discussed during its 89th meeting.¹

25. **Internal Audit** - The EAC received and reviewed the report "Office of the Internal Auditor External Quality Assessment – 12/2021". Upon questions raised in discussion, the EAC received a follow-up briefing by OIA staff on matters concerning the office's independence,

¹ The audited financial statements were endorsed by the EAC in September 2022, outside of the reporting period.

budget and staffing as they relate to the findings of the external assessment. The EAC also reviewed the OIA's plans for 2022-2025.

4.2.2. Matters concerning the Independent Units

26. At its 31st meeting held in March 2022 the GCF Board mandated the EAC to make a recommendation to the Board on the selection of the Head of the IIU and the Head of IRM. Through the same Decision B.31/13, the Board approved the Terms of Reference for the Selection Process. During the reporting period, the EAC has received briefings from OHR on the progress of the process, including in execution of the contract with the executive search company contracted to assist. The EAC is expected to meet with representatives from the external company in the near future.

27. At its 33rd meeting held in July 2022, the GCF Board noted and accepted the resignation of the Head of the IRM. At the same B.33 meeting the Board mandated the EAC to recommend a candidate to assume, on an interim basis, the position of Head of the IRM. On 11 August 2022, at its 90th meeting, the EAC received briefings from relevant stakeholders, including OHR and the outgoing Head of the IRM. The EAC endorsed a recommendation which was sent to the Board for decision between Board meetings. Through GCF/B.BM-2022/06 the Board appointed Mr. Ibrahim Pam as Head of the IRM *a.i.*

4.2.3. Matters addressing conflicts of interest

28. The EAC reviewed an individual request for waiver of the cooling-off period required under the Policy on Ethics and Conflict of Interest for Active Observers.²

4.3 Next steps

29. 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. In particular, the EAC is expected to review the Workplan and Budget proposals for the IIU and IRM, both of which are scheduled but fall outside of the reporting period.

V. Report on activities of the Performance Oversight Committee for the Board-Appointed Officials

30. Through B.BM-2020/04, the Board delegated the authority to the Performance Oversight Committee (POC) to approve the annual base salary increases of the Board Appointed Officials (BAOs), subject to budget availability.

31. With Mr. Mathew Haarsager's resignation as the Board member and Chair of the POC, the replacement for his position was confirmed as Ms. Fiona Ralph to take the membership of the POC, adopted in the thirty-third Board meeting. In the absence of the Chair, the POC agreed that the Chair may come from the developed countries as the former Chair resigned during his term as Chair representing the developed countries. The developed countries also confirmed that they discussed this matter and nominated Mr. Jean-Christophe Donnellier as the Chair of POC.

² The EAC's recommendation was presented to the Board for decision between Board meetings outside of the reporting period.

5.1 Activities during the reporting period

32. The POC members approved the merit increase for each BAO related to their performance for 2020 and 2021 on 23 June 2022. The Secretariat presented the salary increase amounts based on the approved performance rating for 2020 and 2021 and confirmed budget availability that could absorb under the respective Independent Unit's budgets in 2022.

33. The POC thoroughly discussed the matter of the 2022 performance evaluation for the BAOs, as there were different circumstances for each. Initially, it was agreed among the POC members that they would single source SRI for supporting POC in the 2022 performance evaluation. On 10 August 2022, the Secretariat presented the steps and activities requested from the POC for the technical evaluation of single sourcing SRI per the Secretariat's procurement guideline. During this meeting, it was discussed that a few of the BAOs will be ending their assignments before the end of the year, and the utility and necessity of the performance evaluation was raised by the POC. As the BAOs have their individual contracts with the Board, the Secretariat confirmed that they would clarify with the OGC whether there are legal requirements for conducting the performance evaluation or the legal risks of not. The POC will determine the appropriate procedure for and how to utilise the 2022 performance evaluation results.

34. The conflict of interest of SRI conducting the BAO's performance evaluation was raised during the POC meeting on 17 July 2022. The Secretariat agreed to seek guidance from the Office of General Counsel (OGC) whether there is a conflict of interest. It was confirmed on 11 August 2022 by OGC that there is no conflict of interest for SRI supporting the 2022 performance evaluation but a potential conflict of interest for 2023. The POC took note of OGC's legal advice of potential conflict of interest for SRI.

35. Furthermore, the POC agreed to revisit and update the external firm's terms of reference to support the BAOs' annual performance evaluation. The POC also discussed that procuring a long-term contract with an external firm should also be considered for implementing a comprehensive performance evaluation and to improve the efficiency of the annual performance cycle.

5.2 Next steps

36. The Secretariat will share legal opinions with the POC members on the risks and process in the case of not conducting the 2022 performance evaluation for respective BAOs. Based on legal opinion, the POC will decide how to proceed with the 2022 performance evaluation for the BAOs.

37. The POC will also finalise updating the terms of reference for the external firm to support the POC in conducting the annual performance evaluation for the BAOs. With the revised terms of reference, the POC will start the procurement process of hiring a new external firm.

VI. Report on activities of the Accreditation Panel

38. This report addresses the mandate given to the Accreditation Panel (AP) in decision B.07/02, paragraph (g), to serve as an independent technical panel to advise the Board on matters related to the accreditation of entities to GCF. The AP is responsible for conducting the accreditation process in accordance with its terms of reference, as adopted by the Board through decision B.07/02, paragraph (h).

6.1 Activities during the reporting period

39. During the reporting period, the Board appointed, in decision B.33/06, Ms. Diana Isiye (Kenya; expertise area: fiduciary) to the Accreditation Panel for the remainder of the term that started on 1 May 2021 and expires on 30 April 2024.

6.1.1. Review of re-accreditation and accreditation applications

40. The AP is continuing to prioritize re-accreditation applications compared to other workstreams such as upgrade applications for AEs and new applicants in order to cope with the growing workload and minimize the risk of lapses in AEs' accreditation terms. The AP anticipates that the work on re-accreditation applications will continue to absorb a significant part of the AP's resources during the remainder of 2022 and in 2023.

41. The AP continued to work in Stage II (Step 1) on its in-depth assessment of six applications for re-accreditation that have completed the Stage I institutional assessment completeness check by the Secretariat, five of which are presented for the Board's consideration at B.34. The remaining re-accreditation application is under the AP's review. Further details are contained in the document GCF/B.34/09 titled "Consideration of accreditation proposals".

42. The AP continues to apply in its assessment of re-accreditation applications the GCF methodology for establishing a baseline of greenhouse gases emissions and climate resilience for the portfolio of AEs, as contained in document GCF/B.28/11/Add.02, in its assessment of the extent to which an AE's overall portfolio of activities beyond those funded by GCF has evolved in the direction of the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development during the accreditation period.

43. The AP has also reviewed one application for an upgrade in the AE's accreditation scope, submitted by the AE alongside its application for re-accreditation. The AP's recommendation on the upgrade application is contained in document GCF/B.34/09/Add.05.

44. The AP continued to review 13 applications for new accreditations, of which one is being presented for the Board's consideration at B.34 and the remaining are at different points of review in Stage II (Step 1). The AP's recommendation on the application is contained in document GCF/B.34/09/Add.08.

45. During the reporting period, the AP held conference calls with re-accreditation, upgrade and new accreditation applicants during the Stage II (Step 1) re-accreditation review to gain better knowledge of each applicant and to clarify and discuss Stage II (Step 1) questions raised by the AP. Due to the COVID-19 pandemic, in person site visits have been postponed until further notice, however the AP continues to use online channels to advance the review of accreditation applications. The AP, in cooperation with the Secretariat, also continues to further support operationalization and refinement of the Digital Accreditation Platform (DAP). During the reporting period, the AP utilized the DAP for the review of re-accreditation and new accreditation applications, reports submitted by AEs in line with requirements under the GCF monitoring and accountability framework. The AP will continue to provide inputs into the development of subsequent DAP modules (such as on upgrade applications) and make improvements to the modules that are already operational.

6.1.2. Review of accreditation conditions for Accredited Entities

46. The AP continued to provide guidance to AEs related to ongoing conditions adopted by the Board at the time of their respective accreditation. Following the review of the evidence submitted by one AE during the reporting period, the AP considered some of the accreditation conditions fulfilled and closed. Further information on the status of accreditation conditions is contained in the "Status of the fulfilment of accreditation conditions"

(document GCF/B.34/09/Add.01). The AP also reviewed submissions and considered some of the conditions closed for four AEs after the reporting period; the AP's assessment will be provided in the report to the Board for its thirty-fifth meeting.

6.1.3. Assessments of accredited entity institutional-level reporting under the GCF monitoring and accountability framework

47. The AP conducted reviews of annual self-assessment reports, as needed, and mid-term review reports submitted by AEs for calendar year 2021, in line with the AEs' institutional-level reporting requirements per their accreditation master agreement with GCF and the GCF monitoring and accountability framework. The report to the Board on the outcomes of the review will be presented in the document GCF/B.34/09/Add.02 titled "AE institutional-level reporting under the MAF".

6.1.4. Modalities of work of the Accreditation Panel

48. As requested by the Board through decision B.31/06, paragraph (f), the Accreditation Committee, in consultation with the Secretariat and the Accreditation Panel, is requested to update the draft working modalities of the AP set out in annex I to document GCF/B.21/Inf.10 titled "Reports from committees, panels and groups of the Board of the Green Climate Fund" to reflect the use of external consultants and/or consultancy firms in the context of reviews of entities in Stage II (Step I), with a view to presenting such working modalities to the Board for its consideration no later than at its first meeting in 2023. The AP plans to continue discussions with the AC on this topic, in particular during its joint meeting with the AC prior to B.34.

6.2 Next steps

49. The accreditation process is ongoing, and the AP is continuing the review of re-accreditation, AE upgrade and new accreditation applications that have completed Stage I, with the aim of providing recommendations on new applications and reaccreditations at subsequent meetings of the Board.

50. The AP will continue to work on reviewing evidence provided by AEs pertaining to conditions adopted by the Board at the time of their respective (re)accreditation, with the aim of providing recommendations on accreditation conditions at subsequent meetings of the Board.

VII. Report on activities of the independent Technical Advisory Panel

7.1 Review of funding proposals

51. During the reporting period, the independent Technical Advisory Panel (TAP) continued to assess funding proposals (FPs) based on the initial investment framework and guidelines provided through various decisions of the Board since the adoption of the initial investment framework in decision B.07/06.

52. Starting from the thirtieth meeting of the Board (B.30), the independent TAP has been reviewing FPs under the Board's newly adopted operational modality usually referred to as "rolling basis", as approved by the Board at B.28 (decision B.28/03).

53. For B.34 the independent TAP received advance notification for twenty-six FPs of which, only 17 FPs were actually submitted to iTAP by the Secretariat for assessment. Out of the 17

FPs, only 5 arrived on a “rolling basis”, the remaining 12 FPs were submitted as a batch in the last possible date.

54. In carrying out the funding proposal assessments, the independent TAP continued to engage with the accredited entities (AEs). Because of global travel restrictions imposed in response to the COVID-19 pandemic, all independent TAP meetings took place online. Written question and answer exchanges as well as video interviews with the AEs and the Secretariat were carried out to get a better understanding of the FPs and to ask additional questions to the AEs. Whenever necessary, discussions with the Secretariat’s Office of the General Counsel’s lawyers took place before finalizing the assessments. Following the decision B.28/03, the interviews were carried out with the AEs (not with people shown as consultants or Executive Entities).

55. Of the 17 funding proposals assessed in this round, the independent TAP endorsed 13 for consideration by the Board at B.34 (7 of which were endorsed with conditions). The remaining 4 FPs were not endorsed.

7.2 Providing inputs on other matters

56. In addition to carrying out funding proposal assessments, the Chair of the independent TAP, Mr. Daniel Nolasco, had several meetings with Mr. Henry Gonzalez, Deputy Executive Director a.i., to discuss matters related to the operations of the independent TAP and the submission of funding proposal packages to the independent TAP. Also, meetings were held with Dr. Kevin Horsburgh to discuss issues related to the development of a GCF climate “rationale” policy.

57. The independent TAP has also extended the contracts of three international experts who are on its roster for an additional 12 months. There are seventeen international experts in total in the independent TAP roster.

58. Starting from the pre-B.32 assessment period, the independent TAP has received the funding proposal packages via the newly developed independent TAP Project Review and Tracking Platform (iTAP-PRTP). The platform should enable the independent TAP to store all its assessments and interactions with the Secretariat and AEs to enhance consistency and efficiency in its operations. The iTAP-PRTP platform is still being improved.
