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Setting the Course

The Third Meeting of the Green Climate Fund Board Lays the Groundwork for Key Decisions later this Year

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Setting the Course

The Third Meeting of the Green Climate Fund Board Lays the Groundwork for Key Decisions later this Year*

There were no attention-grabbing decisions expected for the third meeting of the Board of the Green Climate Fund (GCF) when its 24 members and their alternates met in Berlin from March 12 – March 15, 2013 – unlike the last GCF Board meeting in Songdo, South Korea in October 2012, when the future seat of the GCF Secretariat was decided. Nevertheless, the three day Berlin meeting, preceded by a day of informal discussions, was busy with Board members working their way doggedly through a long agenda of complicated and far-reaching issues. The discussions in Berlin and actions decided there set the course for some of the most important decisions the Board will have to make for the Fund's future in the two Board meetings remaining this year. They lay the groundwork for how the GCF will conduct its business in order to push for the paradigm shift toward low-emission and climate-resilient sustainable and gender-sensitive development in developing countries that its Governing Instrument mandates and provide an answer to the question what role the private sector will play in contributing to that shift. They pave the way for improving the transparency and accountability of the GCF and its Board, if at times only incrementally. Much works remains for the GCF to set new international best practice, including by ensuring that stakeholders, particularly the people in developing countries who are to benefit from GCF funding decisions, have a way to contribute their expertise, experiences and suggestions to inform the Board's actions. Lastly, the Board started addressing some of the key issues of resource mobilization, if only as a technical process addressing its timing and sequencing with the Fund's work on its business model framework to ensure that the GCF does not remain a largely empty shell and can start early disbursement of funding for readiness and preparatory work to get developing countries ready for future GCF programming. The necessary substantial pledges by developed countries, and their quick fulfillment, are a matter of these countries' political commitment to seeing the GCF succeed and therefore largely outside of the GCF Board's capacity to compel – in Berlin, or at future meetings.

Pre-Board Discussions and Reports to the Board

With a reminder by the South African Co-Chair to Board members that "actions speak louder than words" and that the GCF Board needs to act constructively and professionally to affect "the change we want to see," the third Board Meeting of the Green Climate Fund (GCF) from March 13-15, 2013 in Berlin, Germany, started with action on several reports by the 24 Board

* Author's note on the information provided in this report: In contrast to the proceedings for the design of the GCF in the Transitional Committee in 2011, the GCF Board meeting in Berlin was not webcast or archived for public audiences; however, preparatory documents that formed the basis of the Board discussions and decisions in Berlin were published on the GCF website (www.gcfund.net) in advance of the meeting as a provisional arrangement pending a formal agreement of the GCF Board on an official information disclosure policy. In that context, following the Berlin Board meeting, a summary of the Board's Berlin decisions was made public while the Board's draft report of the Berlin meeting will only be approved at the next GCF Board meeting in June in Incheon City, South Korea. This information note is a summary of the Board proceedings based on notes taken by the author as civil society observer to the Berlin Board meeting as well as on the content of electronic copies of preparatory documents for the Berlin meeting and some hard copies of documents shared with observers present in Berlin.

members (among them a new Board member from the United States, see detailed listing of Board members in Annex I), their alternates and advisors. The Board adopted the summary report of the last Board meeting in mid-October in Songdo. Following a short discussion in which some Board members urged the Co-Chairs and the Interim Secretariat to avoid "reputational risk" to the GCF Board by ensuring that all relevant documents are released to all Board members and not treated as privileged information available only to some Board members, for example in their function as committee members doing intersessional work, the Board took note of two reports on activities of the Co-Chairs and the Interim Secretariat since Songdo.

The opening of the formal three day meetings followed a day of informal non-public discussions among Board members, alternates and advisors (without participation by observers) on March 12th on the process and content for a business model framework (BMF). This meeting outside of the Board meeting had become necessary because of discontent by several Board members of how fundamental work of the Board was carried out in between Board meetings. It also reflected an attempt by the Co-Chairs from South Africa and Australia to pro-actively deal in advance of the Berlin meeting with a sense of frustration and exasperation by several Board members from both developing and developed countries with the pace and direction of the GCF Board's work after its first two meetings, which has lingered since Songdo, in an attempt to avoid a souring of Board atmosphere.

Controversies and disagreements among Board members are bound to persist if not increase as the Board moves forward in designing the policies and guidelines to get the Fund ready to start disbursing within the next one to two years. This is unavoidable since there remain fundamental differences among Board members on how to best operationalize the vision of the GCF as promoting, "[i]n the context of sustainable development, … the paradigm shift towards low-emission and climate resilient development pathways"[1] and doing so in a country-driven approach that seeks a balance between funding for adaptation and mitigation, "while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach"[2] (for some observer recommendations on how to operationalize such a gender-sensitive approach in the GCF in the context of the issues discussed in Berlin, please see Annex II).

These differences reflect contradictory interpretations by Board member countries, largely along developed and developing country lines, regarding the role of the GCF as an instrument to fulfill the financing obligations of developed countries for climate action under the UN Framework Convention on Climate Change (UNFCCC) and the Fund's relationship to its Conference of Parties (COP), what respective role public and private sector financing have to play within the GCF, and how ambition and innovation, results-orientation, accountability and transparency, country-ownership and best practices in standards and safeguards can be achieved and reconciled. Finding a constructive way to address and seek majorities (if not consensus) on these issues remains an ongoing challenge for the Board and its work.

The Board is faced with the pressure of acting quickly and decisively, with the Co-Chairs trying to run through an ambitious one-year work program adopted at the last meeting in Songdo, but it might be pressured to do so at the risk of alienating Board members and cutting short necessary and unavoidably time-consuming discussions among Board members on the right way forward. The Berlin pre-meeting underscored the need to allow for and schedule such discussion time, despite a Board agenda driven by the need to make speedy decisions in order to stick to an ambitious operationalization timeline. For the next Board meeting in Incheon City in South Korea from 25-28 of June, a similar day of pre-meeting Board discussions is planned. In addition, communication exchanges between Board members in between meetings are to be improved, for example through a new electronic communication platform for the Board to be set up by the Interim Secretariat after Berlin.

Business Model Framework

At the second GCF Board Meeting in Songdo, the Board had established a team of six Board members (from France, the UK, Barbados, Norway, DRC and Columbia, with Columbia chairing) to facilitate the preparation of documents on a business model framework (BMF) for the Fund. This was to cover the main constituent elements for how to operationalize the vision of the Fund as outlined in the Governing Instrument's section on objectives and guiding principles (paras. 1-3). The team of six developed terms of reference (ToR) for a consultancy to address key building blocks of the BMF, namely the structure and organization of the Fund, issues related to its private sector facility, the GCF's access modalities and what a framework to measure results could look like[3]. Those ToR were shared with the Board members, but not made public for comments or input, for example from observers. Two bids for the consultancy were received of which one was chosen under a fast-tracked procurement process. However, the anticipated costs of the consultancy by far exceeded the consultancy budget agreed for this purpose at Songdo.

An effort by the Co-Chairs to go ahead with the consultancy work in two phases and seek approval by the Board on a no-objection basis to proceed with the first phase met with two Board members' objection. Thus, for Berlin, no background document on the BMF was prepared. Instead, the Co-Chairs shared with Board members and eventually with observers pre-Berlin an information note on the BMF with 68 guiding questions, inviting them to submit their thoughts and recommendations. Several hundred pages of submissions were received and distributed to Board members and observers in advance of the Berlin meeting, although not publicly posted on the GCF website, and it is not clear if they will be. These submissions on behalf of countries, UNFCCC accredited civil society and private sector organizations and United Nations and other intergovernmental organizations provide a valuable insight into the different and sometimes openly opposing overall visions for the GCF and how to operationalize those visions in Fund policies and guidelines. Those submissions also formed the background for the closed informal discussion by the Board on the BMF on March 12th, as well as the formal Board discussion on March 14th.

Board members generally welcomed the opportunity to try to identify areas of agreement during a day-long informal meeting on the BMF and urged a repetition of such BMF related workshops and informal discussions in advance of future Board meetings as well. Active observers were invited at the end of that meeting to present their views on the BMF to the Board members (for the interventions given by the interim active civil society observers at the informal meeting, see Annex III).

In Berlin, the Board members were asked to identify elements of the BMF on which the Board can agree, as well as areas of disagreement in which further analysis and discussion is needed. They were then to approve the resources (up to US$ 600,000 and thus adding another US$ 150,000 to the overall administrative budget agreed in Songdo) and task the Interim Secretariat, the BMF team and the Co-Chairs and/or consultants to carry out further work on two sets of analytic papers, one for consideration and decision-making at the June Board meeting, the second for discussion and decision at the September Board meeting.

For the June meeting, the six papers to be drafted by either consultants or the Interim Secretariat (as defined in Annex I of the BMF decision) are to present policy choices on 1) objectives and desired results of the Fund and performance indicators for measuring these results; 2) how to ensure country-ownership of the Fund, looking at current best practice; 3) structure and organization of the Fund assessing currently existing multilateral instruments; 4) the range of financial instruments the Fund could uitilize, their advantages and disadvantages; 5) various institutional models for the Private Sector Facility (PSF), its objectives and performance indicators and models of delivering PSF resources; and 6) assessment of best practice access modalities, including direct and international access, and eligibility and accreditation procedures, drawing on experiences of other multilateral funds.

For the September meeting, Annex II of the BMF decision lists three additional papers to be prepared with policy choices to inform a decision by the Board on 1) different financial inputs to the GCF and the experiences (benefits, disadvantages and applicability) of other funds; 2) allocation procedures, including results-based approaches of other multilateral funds and their benefits, disadvantages and applicability for the GCF; and 3) key elements of a results management framework and modalities for monitoring and evaluation.

Since Songdo, during intersessional efforts to advance the Board's work on the BMF, a number of Board members had felt insufficiently informed about the activities of the BMF team and voiced dissatisfaction with a process and timeline that did not provide them with the opportunity for early and frequent input and feedback to the team. Thus, the Australian Co-Chair sought to reassure Board members that going forward all Board members would receive a regular monthly update on the progress of the BMF work, with the Co-Chairs working with the BMF team to give "high level guidance" to document work taken on by the Interim Secretariat and consultants and ensuring coherence and complementarity between the papers. The Co-Chairs also invited input from Board members and observers on the development of parameters for the papers identified in the two annexes to the BMF decision (for civil society recommendations regarding the consultancy terms of reference for these papers, see Annex IV).

In the formal Board discussion, it was apparent, as one Board member expressed it, that with regard to Board members' understanding of the role and the content of the BMF "some of us are here to discuss growing apples, some of us are growing oranges, but we are still trying to reach consensus." Some of the key points of contention centered around the role of the PSF and what private sector activities should be encouraged; the meaning and intent of leveraging; whether the BMF papers need to address resource mobilization on a sufficient scale to address urgency and predictability of funding needed; the question of whether the Fund should be operating "wholesale" and/or "retail", how these terms are defined, and a potential sequencing or phases approach in the funding model; and centrally, what country-ownership and country-'drivenness' mean with respect to decentralizing or devolving funding decisions as well as accountability and direct access to funding. Board members underscored how critically important fast action on the BMF is for the credibility of the Fund, with a few Board members deploring the five months "lost" since Songdo, while others stressed that the past months were necessary to develop broader areas of convergence.

Regarding some of the areas where disagreement is still paramount, several developing country speakers, for example, rejected the inclusion of any reference to a "wholesale" or "retail" funding model in the BMF decision, arguing that such terminology is absent from the Governing Instrument, and is not clear. They argued that as "wholesale" is to mean GCF funds would be channeled largely through existing funding instruments, the paradigm shift that the GCF seeks to initiate would be hard to achieve as this would constitute a business-as-usual approach. In contrast, some developed country members argued that a phased approach, maybe beginning with some pilot projects, with the GCF channeling funding through intermediaries initially and then progressing to direct access subsequently, would be the quickest way for the Fund to start disbursing money. The private sector active observer likewise supported the GCF operating both through intermediaries and via direct funding, suggesting that the cost and risk gaps for private sector involvement in recipient countries necessitated both approaches. As there was no agreement on this point, any reference to a phased approach referring to “wholesale” and/or “retail” was stricken from the decision. Instead it notes now as an area of convergence that the GCF will “[c]ommence as a fund that operates through accredited national, regional and international intermediaries and implementing entities”.[4] Developing country speakers also contended that it was impossible to address the BMF without reference to related availability of resources and a time-table for their mobilization. Some developed countries members rejected that notion and pointed out what they see as a sequencing of developing the BMF of the Fund first as a way to show the viability of the Fund and then to mobilize resources.

On the PSF, some developing country members felt it was overemphasized in the BMF discussion and almost treated as a separate fund (with a consideration by some of a governance structure separate from the GCF). They urged to include in the options paper on the PSF suggestions on how to operationalize the mandate of the Durban decision for a no-objection procedure giving developing countries the right to object to private sector investments through the GCF that are not in line with country priorities; they also wanted clarification that the implementation of PSF funding would prioritize domestic small and medium-sized enterprises, as well as the domestic private sector particularly in the least developed and small island countries. Likewise, several members mentioned that it was short-sighted for the BMF to discuss leverage only in the context of raising additional private sector investments and suggested to expand the use of the term in the BMF context to cover “funds, programs and policies, public and private efforts” and thus fundamental policy shifts more broadly. This was also a point made by the interim civil society active observer who pointed out that GCF funds need to leverage policy shifts to happen in the context of sustainable development and the impact of GCF funding actions on and benefits for the poor in recipient countries.

Board members agreed on a country-driven approach as a core principle for the BMF and noted this as an area of convergence. However, there were objections to including a reference to decentralization or devolution (to the national level) in the decision, which developing countries have strongly argued in favor of. Some developing country members emphasized that one of the key structures for country-ownership is direct access and urged a prioritization of this access modality, including with expanding enhanced direct access, in the BMF, acknowledging that this would have to be counterbalanced by a robust accountability framework. Some developed country Board members, however, argued that direct access, while important, was only one of several possible access modalities.

Several Board members pointed out the importance of the BMF to enhance transparency and accountability, including through more systematic seeking of inputs from civil society and the private sector, and this was noted as an area of convergence in the decision. One Board member in this context warned that, in his opinion, the BMF discussion so far was not including enough focus on what he called “safety nets – safeguards, audits, inspections, remedies and corrective measures”. Likewise, the civil society active observer urged the consultancy to strongly consider the role of safeguards and accountability mechanisms in the BMF and to draw for the consultancy on the full range of available expertise and experiences, including in this field, and not just a narrow subset.

A few speakers indicated that quite a bit of work applicable to the BMF, particularly related to Annex I, had already been done in the Transitional Committee by the Technical Support Unit and should be drawn upon in an effort to keep consultancy costs down. Likewise, one Board member asked for clarification on how many of the BMF papers could be prepared in-house by the Interim Secretariat, which responded by confirming that it might be able to prepare two of the papers for the September Board meeting.

The BMF team of six Board members chaired by Columbia and working with the Co-Chairs will provide guidance on the drafting of the BMF papers for June and September and report back at both future Board meetings. This work is to be done by the Interim Secretariat with the assistance of consultants, taking into account views expressed by Board members and observers in their submissions on the BMF. The Board also decided to organize, as for Berlin, an informal Board discussion on the BMF documents one day before the June and September Board meetings.[5]

Additional Rules of Procedure

The Governing Instrument for the GCF specifies important, yet largely rudimentary, rules of procedure for the Board, including its composition, the selection of Board members and their term, as well as basic rules for decision-making and observer participation (paras. 9-16). Already for the first Board meeting in Geneva, the Interim Secretariat had prepared a draft document with additional rules of procedures, which members asked to be reworked for the next meeting to incorporate their guidance and views. The Co-Chairs had then put a team of six Board members and alternates from Denmark, Egypt, Georgia, Pakistan, Poland and the United States (with Pakistan chairing) in charge of carrying the work forward.

The second Board Meeting in Songdo addressed a revised draft document, but members could not find consensus on proposed rules then, and asked for further work of the working group intersessionally in preparing for the Berlin meeting. In Songdo, formally-voiced concerns by Board members had centered around the making of proposed additional rules too prescriptive and thereby undermining flexibility in dealing with intersessional work as well as the risk of trying to “slice” the rules of procedure into manageable portions and dealing with them in isolation and in the process neglecting the linkages between various annexes and creating inconsistencies. Informally, however, Board members had acknowledged that at the heart of the failure in Songdo to move forward with this agenda item were differences in opinion on definitions and applicability of key terms, including the interpretation of the meaning of “constituencies” within the additional rules of procedures.

Covered under the additional rules of procedure are some key questions regarding the transparency and public accountability of the GCF Board and its decisions, including whether Board meetings would be video-recorded or webcast, the public availability of key documents, and the languages other than English in which documents are available and board discussions are conducted.

In preparation for Berlin, the six member team had proposed a new revised comprehensive set of additional rules of procedure with eleven annexes dealing with applicability and definitions (Annex I); the role and rights of observers (Annex II); composition of the Board and selection and term of Board members and alternates (Annex III); rules relating to the role of the Co-Chairs (Annex IV); procedures related to Board meetings, such as their frequency or document transmittal (Annex V); extraordinary meetings or executive sessions and rules governing the organization of the Board’s work in committees, panels, groups and subsidiary bodies (Annex VI); language and maintaining records of meeting (Annex VII); Board decision-making and voting rules (Annex VIII); rules on confidentiality and conflict of interest (Annex IX); future amendments to the additional rules of procedure (Annex X); as well as confirming the overriding authority of the Governing Instrument (Annex XI). Eventually, all eleven annexes were adopted after lengthy Board deliberations and sometimes significant text adjustments.

Reporting back to the full Board on their ongoing deliberations, the Pakistani chair of the working group indicated that, while making progress, the working group had been unable to come to a consensus on several issues, including on how to deal with vacancies on the Board, the issue of voting procedures for Board decision in the absence of consensus and some key definitions for application in the additional rules of procedures. In an attempt to separate "policy matters" from procedural rules, keep additional rules of procedures "lean and mean" and thus prevent political linkage of separate annexes (as had happened during discussions in Songdo with the issues of observer participation and financial support for developing country advisors), the team proposed to address rules for observer participation including for active observers and accreditation of observer organizations as a separate Board decision on more detailed guidelines. Presumably, this will also allow guideline changes to be proposed at future Board meetings, without having to unravel the agreed text on additional rules of procedure. Similarly, eligible Board member travel and compensation for Board meetings were dealt with as a separate decision to apply until the Board adopts a comprehensive travel policy governing Board members, alternates, advisors, active observers and staff of the independent Secretariat.

Observer Participation

According to para. 16 of the Governing Instrument of the GCF, the Board will make arrangements to allow for the effective participation of accredited observers to Board meetings, including for four active observers; two from civil society groups and two from the private sector, with one person each from developed and developing countries. With those arrangements still undecided, the Co-Chairs at the first two Board meetings had invited four self-selected interim active observers into the Board room on a no-objection basis to sit at a designated side table, allowing for rotation among active observers. All other observers – including those representing countries and international organizations in addition to those from civil society and private sector – had to watch the proceedings via a closed-circuit video-cast from an overflow room. In contrast to the practice during the TC process, the Board discussions were neither webcast nor recorded and not posted online post-meeting.

For Berlin, the Co-Chairs had suggested interim arrangements intersessionally on a no-objection basis that asked civil society and the private sector to designate in advance two interim active observers each without the option to rotate; according to these arrangements, their input was restricted to one intervention of three minutes each from civil society and private sector per agenda item. As they did during the first two Board meetings, the two Co-Chairs met with interested accredited observers during the lunch break of the first meeting day for a short period, where observers stressed their interest and willingness to provide substantial input but lamented the difficulty in gaining access to the necessary Board documents in a timely manner. Co-Chairs acknowledged that this is part of the larger transparency agenda the Board still has to address, while reiterating the Board's primary role as a decision-making not a discussion body.

In discussing the proposed arrangements for observer participation over two meeting days, several Board members emphasized the crucial importance of observer involvement in Board discussions and to guide Board decisions and voiced support for opportunities to deepen their engagement, for example by allowing active observer rotation to reflect the diversity of experiences of civil society and private sector observers and by dedicating several hours' time for the full Board to interact with all observers during or in advance of Board meetings. Several Board members sought reassurance that observer states would be allowed to be in the Board room and to be invited for presentations to the Board. A number of Board members underlined that closed webcasting of the proceedings for accredited observers would be a good way to allow for wider outreach to stakeholders. Several members also demanded that all observer participation guidelines and procedures the Board adopts should be subject to a comprehensive review after two years with a view to strengthening and deepening such engagement.

Active observers from both civil society and private sector stressed that the meetings should be openly webcast. They urged to allow rotation, possibly from a raster of self-selected experts, and as a minimum the designation of alternates for the active observers. In pointing to best practices at other international funds, such as the Climate Investment Funds (CIFs), they advocated for the ability of active observers to propose agenda items for Board meetings, intervene without restrictions and suggest expert input to the Board. Active civil society advisors also proposed the creation of a civil society advisory council as a way to reflect and draw on the diversity of civil society, demanded the participation of active observers in all committee or working group proceedings and proposed that notification of Board meetings be issued 30 working days before a Board meeting instead of 30 calendar days as is currently the practice to ensure visas can be issued during that period for participation of representatives from developing country civil society organizations.

While the Board member team working on additional rules of procedure met with observer groups during the meeting in an effort to seek improvement to the draft guidelines on observer participation before the scheduled Board decision, the ultimate outcome remained, in the words of the chair, “halfway between the best possible solution and the original more restrictive one”: The Board-approved guidelines on observer participation[6] promise that “[i]ncreased interaction with the Board members and Co-Chairs will be arranged during the duration of the Board meetings”, and that a staff contact at the Secretariat will be designated to facilitate communication with observers. However, contrary to the recommendation of observers to allow for all UNFCCC-accredited observer organizations to be accredited to the GCF, the Fund instead asked all interested groups to apply to the Secretariat anew, regardless of existing affiliations with either the UNFCCC or the Global Environment Facility (GEF), and gives the Board the right to decide on applicants pre-screened and recommended by the Secretariat on a no-objection basis. This gives each Board member a de-facto veto right to, for example, prevent the participation of groups that might be critical of a specific country’s environmental or energy policies; it will therefore be crucial that such objections, should they occur, not only be rare, but also transparently disclosed and explained. The guidelines as approved in Berlin now neither allow for active observer alternates nor for rotation among active observers, whose term is instead set for two years, renewable once. Participation of active observers in Board committees or working groups as decided will only be allowed “in special circumstances and if expressly authorized by the Board” – an unfortunate reverse of the observers’ demand for a presumption of openness of such meetings to active observers unless expressly closed. One improvement over earlier text versions is the stipulation of a comprehensive review of all observer participation procedures after a trial period of two years instead of a much more limited review of active observer selection as originally proposed. In conversations, Board members indicated that selective improvements to the guidelines, for example regarding the rotation of active observers from among a pre-selected raster, could be tackled even before the end of that trial period.

Travel and Compensation

In Songdo, the inability of the Board to agree on travel support for advisors of developing country Board members or travel support for the active observers from developing countries had proved to be a main reason for the stalemate in approving the additional rules of procedure. In Berlin, the approval for such support was taken out of the additional rules of procedure and instead discussed as a separate Board decision. Several developing country Board members underscored how crucial the support of advisors is for their ability to prepare Board decisions. While developed country Board members in their interventions on the topic did not deny the capacity and support needs of their fellow Board members, they worried about the added administrative costs for the Fund and the need to control those costs, for example by limiting the number of supported advisors to one each per eligible Board member and alternate. One developed country Board member indicated that he would not be able to support a decision on funding of advisors yet as such funding would be above and beyond what the UNFCCC, whose travel eligibility guidelines serve as guidance for the GCF in the absence of its own separate travel policy, stipulates. The Board therefore requested the Interim Secretariat to prepare for the Board's approval at the September meeting a draft travel policy for the Fund, which will consider funding of travel expenses for advisors and active observers. The Berlin Board decision on travel and compensation[7] provides for the travel costs and subsistence allowance of eligible developing country Board members and alternates to be covered to attend Board meetings or other ancillary meetings decided by the Board. The Board left unclear how the travel of developing country Board advisors to the June meeting would be funded in the interim, with the Australian Co-Chair suggesting it may follow the precedent so far in which the host country provides funding support. The June Board meeting will be hosted by South Korea.

Decision-Making and Voting Procedures

Paragraph 14 of the Governing Instrument provides for decision-making in the GCF Board by consensus, with procedures to be developed for adopting decisions when consensus cannot be reached. The Board has yet to develop formal voting rules, although it had some first experience with non-consensus decision-making in selecting the host country for the GCF at its second Board meeting. In Berlin, several Board members suggested that an inclusion of a reference to formal voting in the additional rules of procedure was premature and that instead more work was needed on how formal voting can contribute to "efficient decision-making". In previous Board discussions it has become clear that some developed country Board members favor a weighted voting approach that would for example take financial contributions to the GCF into account (similar to current voting shares in the Bretton Woods Institutions), although there is disagreement if such voting weighted by contribution would apply only to the developed country Board constituency or the entire GCF Board.

Several alternative options for voting procedures circulated for informal discussion in Berlin. One option would be to apply such weighing only to developed country members, who could be entitled to cast votes proportionate to the actual cumulative contributions made by the developed countries they represent. In contrast, some developing country Board members prefer a double majority voting procedure independent of contributions with clear two-third majorities of those members present in both (developed and developing country) constituencies of the Board. A third option would combine a two-thirds majority of the members present and voting to include a majority of members of developing countries with a 75 percent majority of contributions to the Fund.

In the end, the Board decided to strike any reference to formal voting from the additional rules of procedure text. The adopted annex focuses instead only at decision-making between meetings on a no-objection basis, where a decision that Co-Chairs judge cannot be postponed to the next Board meeting is transmitted to the Board members and alternates (with copies provided to active observers for their information) with an invitation to approve such a decision generally within 21 days, less if urgent. Unless a Board member formally objects during that period, the decision is deemed approved. In the case of a Board member objection, the Co-Chairs will work with the Board member directly to see if the objection can be resolved or will be upheld. In the latter case, the proposed decision is then taken up at the next Board meeting. Board members and alternates will receive notification of all objections and comments received and actions taken; however, the decision does not include the additional distribution of this information to active observers.

Board Composition

The Durban decision approving the Governing Instrument of the GCF in para. 10 had laid out how the twelve seats for developing countries on the GCF Board were to be apportioned to the "regional groupings and constituencies", given three seats each to regional groupings from Asia-Pacific, Africa, Latin America and the Caribbean, one seat each for Least Developed Countries (LDCs) and Small Island Developing States (SIDS) and created one seat, presumably on a rotational basis, for "[o]ne member from developing country Parties not included in the regional groups and constituencies above".[8] This seat is currently held by Georgia with the alternate seat occupied by Saudi Arabia. Annex III of the additional rules of procedure as discussed in Berlin sought to codify the decision wording of the Board composition and to address how to fill seats at the end of a Board member's three year term or in case of replacements within the term. Annex I defined the terms used throughout the annexes. As already in Songdo, passage of these two related annexes proved to be politically difficult, with concerns, and thus the possibility of a veto raised by one country Party in particular about how the term "constituency" within the additional rules of procedures would be defined. Indeed, there is an inconsistency in definition between the way the Durban decision uses that term (namely in the meaning of regional group) and how the GCF Governing Instrument understands it (namely referring to it as developed and developing country Parties respectively). A stalemate that threatened the finalization of the additional rules of procedures at the third GCF Board meeting in a row was averted during the last day of the meeting, when any attempt to define "constituency" or "regional group" was stricken from Annex I. Instead a clarifying footnote was added in Annex III essentially codifying the current composition of the Board's developing country members and thus keeping the one seat in question from rotating in the future between all developing country regional groups.[9]

Board Meetings and their Transparency

The Board approved three annexes (Annexes V-VII) dealing with Board meetings, their frequency and location, the language of meetings and documents, record keeping and the organization of the Board in committees, panels and groups to address its work load, particularly in between Board meetings. Most discussion in Berlin on these issues centered around the question of document transmission and disclosure, with several Board members advocating, for the sake of transparency and accountability, for webcasting of Board proceedings, although most envisioned a closed (by accreditation only) webcast and not the open one that the Transitional Committee to design the GCF had employed in 2011. Observers have consistently advocated for open webcasting and the full and timely release of documents to them at the same time that they are received by Board members. Annex V of the additional rules of procedures in para.10 stipulates that documents for Board meetings will be posted on the GCF website on the same day they are released to Board members, in general 21 calendar days before the Board meeting.

Cost implications were raised by Board members as reasons for and against webcasting, as some pointed out that it might make it easier and more cost effective for some Board members and their advisors to attend the Board meetings full length, while others worried that webcasting of the Board meetings, something that for example the Adaptation Fund Board already does on a regular basis, would prove too expensive. Co-Chairs suggested that the Interim Secretariat will prepare a more comprehensive document on information disclosure, including webcasting and its cost implications, to be discussed at the June Board meeting.

Annex VII confirms English as the working language of the Board with meeting documents to be provided in English, although it retains some flexibility to allow interpretation for Board members in individual cases as well as for the translation of "certain documents in other languages" if the Board so decides. Cost considerations were again the primary basis for this decision, which, while not openly opposed, left a number of Board members, especially from francophone countries, uneasy, as they felt that it could put them and the countries they represent at a disadvantage in GCF Board discussions. Civil society observers likewise fear that the focus on English will effectively stifle the engagement with and participation in the Fund of grassroots and community groups. Those are the stakeholders whose involvement in the GCF should be encouraged to ensure that its funding decisions provide benefits to the people most in need in recipient countries.

GCF Communication and External Representation

The GCF Board currently has no comprehensive communication strategy. This would guide how the Fund is presented to the outside world, for example in information material, and who represents the GCF and its Board in external events or at UNFCCC bodies, such as the Adaptation Committee or the Standing Committee on Finance. Therefore, the Interim Secretariat for Berlin proposed a draft document for discussion on some of these issues, hoping for Board guidance on next steps forward.[10] Among the items discussed were some information materials, including some draft "Frequently Asked Questions" (FAQs) for posting on the GCF website and information outreach. Some Board members urged to insure that the FAQs only address facts and matters on which the Board has already taken decisions, but not outstanding matters pending Board decisions and that it should not be suggestive of a specific Fund model. A civil society active observer noted that reference to public participation in the Fund was missing from the FAQs. He urged a comprehensive communication strategy that would, for example, include a web-portal for civil society observer engagement and interaction.

Seeking clarification from the Interim Secretariat, several members pointed out that the representation of the GCF in other thematic bodies of the UNFCCC is not a matter to be addressed by the Secretariat as a communication request but has to be a Board decision; they urged to deal with ad hoc requests the GCF has already received, for example by the UNFCCC Technology Executive Committee, only on a provisional basis, pending the development of a broader Fund strategy on engagement with the UNFCCC and external bodies. The Board approved further work by the Interim Secretariat in developing a draft communication strategy for discussion at the June and final approval at the September Board meeting. It also asked the Secretariat to finalize the information materials according to the guidance by Board members. Until then, requests for participation of the GCF in external events will be prioritized with the Co-Chairs either themselves representing the GCF at such events or delegating that function to others (presumably staff of the Interim Secretariat and/or Board members). The GCF might decide to co-sponsor an event, as long as there are no financial costs involved, if the Co-Chairs of the Board think that such an event has some strategic importance and none of the Board members objects.[11]

Headquarters Agreement between the GCF and the Host Country

The selection of the future host country for the GCF was the main decision of the second GCF Board Meeting in Songdo. It was also a key deliverable of the GCF Board to COP 18 as mandated by the Durban decision under para. 13. The decision for South Korea by the Board, presented as a consensus, was endorsed by COP 18 in Doha. The GCF Independent Secretariat will thus reside before the end of 2013 when interim secretariat arrangements are supposed to terminate, in Songdo, South Korea, just outside of Seoul.

The promise of South Korea as host country of the GCF to be able to quickly confer legal personality to the GCF with a domestic legal act was a key factor in countries' decision to support the South Korean application, although Board members might have weighed several other factors favorably as well. For one, South Korea is the first Non-Annex II country under the convention to financially contribute to the GCF with more than US$ 2 million for administrative support – a precedent that many cash-strapped developed countries, those obligated under the UNFCCC to financially support climate action in developing countries, hope will be followed by other emerging market economies in the future. A consideration for some Board members in voting for South Korea was certainly also the physical distance to the UNFCCC Secretariat in Bonn which is in line with some developed countries' efforts to distance the GCF and its operations from the Framework Convention. South Korea is also part of a region of the world that is expected to see some of the strongest economic growth, and with it rising greenhouse gas emissions, in the near future. Lastly, Seoul in South Korea also hosts the Global Green Growth Institute (GGGI), a multi-stakeholder hybrid international organization with representatives from 18 countries, several of them (including Australia, Denmark, Ethiopia, Indonesia, South Korea, Mexico, Norway, Philippines, United Arab Emirates and the United Kingdom) also represented as principal or alternate members on the Board of the GCF. The paradigm shift to "green" low-carbon growth is of course one of the guiding principles of the GCF (as elaborated in para. 2 of the Governing Instrument).

In Berlin, Board members discussed the draft headquarters agreement drawn up in negotiations between the government of South Korea and the Interim Secretariat guided by the Board Co-Chairs, with both sides expressing confidence that the agreement – not up for renegotiation in Berlin – provides a sound legal basis for the agreement with the host country. The headquarters agreement was circulated to the Board informally, but not shared with observers nor posted on the GCF website. Several Board members questioned why they were not given more time to scrutinize the document (having received it only shortly before the meeting). They wanted assurances on the timeline and process for the South Korean authorities to confer legal personality to the Fund as well as on the oversight of the Board in finalizing the agreement. For the South Korean host government, the South Korean Board member clarified that after signature of the Headquarters Agreement the National Assembly of Korea will approve the agreement, with ratification within 3 to 4 months. The Fund itself will be conferred legal personality by a legislative act of the National Assembly prior to the ratification of the Headquarters Agreement, with the legislative act already drafted.

Several Board members took issue with some of the suggested language on giving the Executive Director of the Independent Secretariat, once selected, the authority to sign supplementary agreements to the Headquarter agreement with the host country on behalf of the GCF. They pointed out that such authority should reside with the Board only, even if supplementary agreements, as the Interim Secretariat explained, are relegated to technical or administrative issues, such as dealing with health insurance. In its decision in Berlin, the Board adjusted language to reflect the supervision of the Co-Chairs of the Board for any supplementary agreement the future Executive Director might sign on behalf of the GCF to the headquarters agreement. It authorized the Co-Chairs to sign the headquarters agreement upon its finalization as well as any future supplementary agreements.[12]

Establishment of the Independent Secretariat

Selection of the Executive Director

At the second Board meeting in Songdo in October, the Board had established an Executive Director Selection Committee (including members of Sweden, Mexico, Egypt, Belize, Russia and chaired by Germany), and authorized it to review draft terms of reference (ToR) for the Executive Director of the GCF in accordance with the guiding principles of the GCF Governing Instrument. All committee members signed a confidentiality and impartiality agreement. In Songdo, the Board had authorized up to US$ 200,000.00 for the search for an Executive Director, including through the use of an executive search firm. Reporting back on the activities of the Search Committee's work since Songdo, its chairman confirmed that the committee was able to agree on the draft ToR, looking for a highly qualified individual with "intellectual leadership." It contracted a search firm to help narrow down the number of applications, accepted until the end of April, to a first cut list of candidates of 20-plus, to a long list of 10-12, to a short list of five or six to be interviewed by the Selection Committee, to the final three to be presented to the Board without ranking ahead of the June Board meeting, for the Board to make its selection at its next meeting. The Committee Chairman assured Board members that the feedback of the Board would be sought at every important junction of the selection process and encouraged Board members to submit names of suitable candidates.

Board members welcomed the work and supported the ToR with some members worrying that the term of the position (three years with a possibility of reappointment) might be too short to attract qualified candidates and that knowledge of Korean, giving the Independent Secretariat's placement in South Korea, might be a plus. On the question of intellectual leadership the Committee Chairman explained that the ideal candidate would possess knowledge and experience of climate change, development and/or financial issues and their inter-relationship and have experience working in or with developing countries. While a first draft of the ToR indicated remuneration in a salary range of up to US$ 300,000.00 plus benefits, one Board member indicated that he would not be able to support any annual salary higher than US$ 250,000.00 per year including benefits. However, after consultation with the executive search firm, the chairman of the search committee reported back on the last day of the Board meeting that the remuneration package level was inconsistent with the job description and the experience level Board members asked for and recommended instead to put in as indicative range reference the salary level of a Vice President of the World Bank (up to US$ 340,00.00 plus benefits[13]) and an Assistant Secretary General in the United Nations common system (pensionable salary around US$ 274,000.00 plus benefits[14]). These changes to the ToR were made and approved, noting the comments of one member's reference to a proposed salary cap, and the Interim Secretariat authorized to advertise the job announcement on the GCF website.[15]

Review of Staffing of the Interim Secretariat

The Interim Secretariat for the GCF was set up in Spring 2012 as mandated by the Durban decision on the GCF and initially staffed with personnel from both the UNFCCC and GEF Secretariats to provide support to the GCF Board and prepare the Board meetings. Given the ambitious 2013 work plan for the GCF Board, supported by the Interim Secretariat, the second

Board meeting in Songdo in October 2012 authorized the Interim Secretariat to go ahead in adding staff until December 2013 on a temporary basis to support implementation. For the Independent Secretariat, new recruitment processes (with staff from the Interim Secretariat allowed to re-apply) will be necessary. In Songdo, a total of 15 positions were identified in five broad areas – institutional and strategic matters, including resource mobilization; access and programming modalities; private sector facility, accountability mechanisms, standards, results and evaluation matters; and establishment of the Independent Secretariat – and an administrative budget for the staggered filling of these positions by April 2013 of close to US$ 2 million allocated. However, as an information document on the staffing progress for the Board in Berlin outlined[16], there have been delays in recruitment, making it necessary to rely in the interim on consultants. Since mid-November 2012, the GCF Interim Secretariat is headed by a hired manager until the Executive Director of the Independent Secretariat is selected; his selection by the heads of the GEF and the UNFCCC Secretariats was welcomed by the Board.

Board members noted with concern delays in staff recruitment as well as the short-term nature of the staff contracts, worrying that it might not incentivize the right people to apply for employment with the GCF Secretariat. Several Board members urged to consider the secondment of experts, for example from national governments, as a way to bridge the shortfall in current staffing needs effectively. One member also urged to have the GEF Secretariat provide more than just cross-support by making some GEF experts with applicable experience speedily available to the GCF. From civil society, an active observer urged that contracted staff's expertise include strong support and familiarity with fiduciary, environmental and social safeguards, an understanding of local context and a familiarity of financing instruments for micro, small and medium-sized enterprises in developing countries. She also urged expertise of hired staff in implementing a gender-sensitive approach to be a core staffing criteria.

Guidance on Administrative Policies of the Independent Secretariat

A Board discussion on the proposed administrative policies of the Independent Secretariat in Berlin offered an interesting insight into more fundamental differences of Board members regarding their visions for the Fund. At issue was what administrative framework the GCF should follow, with the Executive Director of the Independent Secretariat, once selected, tasked to establish the administrative policies of the Fund under a tight deadline. For example, only if the human resources policies for the GCF Independent Secretariat are in place can the Executive Director start hiring GCF permanent staff. As required by the Durban decision, the Independent Secretariat has to be established before the end of 2013, making it necessary for the Board to decide on draft administrative policies latest at its June meeting.

An options document presented in Berlin[17] basically outlined three alternatives: 1) following the United Nations common approach with lower base salaries, but the advantage of providing a range of non-salary benefits of particular interest to staff family as well as employment security; 2) following the administrative policies of the Multilateral Development Banks (MDB) with higher salaries and fewer family benefits as well as limited term contracts; 3) a hybrid system such as the one employed by the Asian Development Bank, which is competitive in the region but includes more staff family benefits and support than regular MDB administrative policies. As the options paper highlighted, the salary cost differentials between the UN common system and the MDB administrative policies are largely eroded through the more generous benefit schemes under the UN system.

While a large number of Board members, mostly from developing countries, proposed following the UN common approach, citing both the fact that the Interim Secretariat is already working under UN conditions and the fact that the GCF is an instrument of the financial mechanism of an

UN Convention, many developed country Board members urged to follow the MDB model, citing the GCF Secretariat's need to compete with other development banks for the financial expertise needed for the Fund. Both groups saw the choice of administrative policies as a fundamental choice indicative of the long-term vision of the GCF (with some speakers pointing out that the GCF is supposed to be a fund, not a bank…). For civil society, the active observer voiced support for the UN system, touting the human rights approach underlying the work of the UN common system and the GCF's role as financial entity for the UNFCCC.

Several Board members urged to look more closely at the ADB's practice and one suggested to also consider the administrative framework of the International Fund for Agricultural Development (IFAD) as it is, like the GCF, an international Fund within the UN system (supporting the Food and Agriculture Organisation and the World Food Programme). In support of the argument to look at regional experience as a model for the GCF administrative policies, two Board members from the Asia region were asked to propose a possible hybrid version and report back later in the Board meeting. They suggested consideration of an IFAD basic framework into which an ADB remuneration package could be integrated.

Several speakers - Board members, as well as from the Interim Secretariat - were skeptical about the feasibility of such a hybrid and worried particularly about cost and time implications of going forward with such an approach. The experience of the Global Fund was cited, which was laboring under a very long incubation period because of developing its own administrative framework. Board members asked for more information in order to make an informed decision. The Co-Chairs, mindful that the Executive Director is to be selected at the June meeting and should know what administrative system the Board has chosen to apply to the GCF, suggested to seek agreement among the Board members intersessionally on a no-objection basis on the form of a new working document with further information on the various options provided by the Interim Secretariat. If no Board agreement can be reached before the June Board meeting on the administrative policy framework for the GCF, then the Board will reconsider the options in light of the new information at its next meeting.[18]

Status of GCF Resources

The activities of the Board, Interim Secretariat and the World Bank as the GCF's Interim Trustee are supported through an administrative budget approved by the Board based on funds available in the GCF Trust Fund, which is administered by the World Bank. At its first meeting in Geneva, the GCF Board had approved some US$ 1.261 million in total administrative budget (covering expenses by the Board, Interim Secretariat and Interim Trustee) for the period from July 1 until October 31, 2012. The report on the status of GCF resources submitted by Interim Trustee to the Board in Berlin shows that the actual expenditures for the Fund during that time was lower than anticipated with US$ 992,310.00 (largely due to a delay in filling staff positions as quickly as anticipated).

In Songdo, the Board had approved the total administrative budget for the Board, Interim Secretariat and Interim Trustee for a 14-month period from November 1, 2012 to December 31, 2013 as an amount of US$ 7.48 million. With the decision of the Board on further work on the GCF business model framework, another US$150,000 was added to this budget to account for higher consultancy costs, making a new total of US$ 7.63 million (see table 1 below). Of those, US$ 1.34 million are to support three scheduled Board meetings in 2013 as well as meetings and expenditures by Board committees, panels and working groups. The largest amount of US$ 5.49 million is for services by the Interim Secretariat during this period, mostly for salaries, wages and consultancies as well as general operating and information technology costs and travel expenses. The administrative budget throughout 2013 estimates that of the US$ 3.99 million in salaries, wages and consultancies, roughly US$ 1.99 million will be for full-time staff of up to 15 people with an additional US$ 498,000 going to staff support from UNFCCC Secretariat personnel and US$ 460,000 for personnel support from the GEF Secretariat. The updated budget also accounts for more than 280 weeks of consultants' time for an estimated cost of US$ 850,000. .

From November 1, 2012 to January 31, 2013 (three months), a total of US$ 409,387 was spent from the approved budget, namely US$ 323,624 by the Interim Secretariat and US$ 85,750 by the Interim Trustee.

Table 1:

Administrative GCF Budget from November 1, 2012 until December 31, 2013 (in US$)

	Actual Expenditures (1/1/2012 – 6/30/2012)	**1st Budget Approved** (7/1/2012 – 10/31/2012)	**Actual Expenditures** (7/1/2012 – 10/31/2012	**2nd Budget Approved** (11/1/2012 -- 12/31/2013)	**Actual Expenditures** (11/1/2012 – 1/31/2013)
1.Board					
1.1.Board Meetings (# of meetings)	--	(2) 408,000	(2) 353,068	(3) 954,000	--
1.2 Board Ctes, panels and working groups (# of meetings)	--	(3) 60,000	(n/a) 8,506	(10) 382,000	--
Sub-total Board	**--**	***468,000***	***361,574***	***1,336,000***	**--**
2. Interim Secretariat					
2.1. Salaries, Wages and Consultancies	428,959	472,000	314,743	3,995,000	235,624
2.2. Travel (Board Meetings & consultations)	112,720	110,000	110,862	315,000	16,059
2.3. General operating & IT costs	39,234	96,000	94,296	1,175,000	71,954
Sub-total Interim Secretariat	***580,923***	***678,000***	***519,901***	***5,485,000***	***323,637***
3. Executive Director	**--**	**--**	--	***121,000***	--
4. Interim Trustee					
4.1. Financial & program management	204,181	70,000		400,000	n/a
4.2. Investment Management	0	0		11,000	n/a
4.3. Accounting & reporting	27,975	5,000		76,000	n/a
4.4. Legal services	42,140	40,000		172,000	n/a
4.5. IT systems	0	0		30,000	n/a
Sub-total Interim Trustee	***274,296***	***115,000***		***689,000***	***85,750***
GRAND TOTAL	***885,219***	***1,261,000***		***7,631,000***	***409,387***

Sources: Document GCF/B.02-12/06/Rev.01 "Administrative Budget of the GCF" (as of October 19, 2012) and Document GCF/b.01-13/Inf.02 "Status of Resources" (as of February 24, 2013)

NOTE: reflected in the ongoing administrative budget as represented above is the Berlin decision by the Board to increase the amount allocated for consultancies by US$ 150,000 to reflect the higher than expected costs for the business model framework consultancies.

By the end of February 2013, some US$ 8,25 million had been pledged to the GCF Trust Fund by eleven contributor countries (namely Australia, Denmark, Finland, France, Japan, Germany, South Korea, Netherlands, Norway, Sweden and the UK), of which US$ 6.77 million have been received from nine contributor countries (Australia, Denmark, Finland, France, Germany, Japan, South Korea, Netherlands and Sweden) in the GCF Trust Fund (on the status of GCF resources, see Table 2 below). Some US$ 1.32 million had been contributed to the GCF administrative budget from left-over funding from the TC process (with Denmark, Germany, Norway, Spain, Switzerland and the United States allowing for the repurposing of TC funds for the GCF administrative budget). By the end of January 2013, the full amount of TC carry-over funds were spent in accordance with the administrative budget approved by the Board in Songdo. In Berlin, the Board member from United Kingdom announced that his country's pledge should be reflected as GBP 500,000 (roughly US$ 788,000) in future resource overview reports. However, there is no clear timetable on when all outstanding pledges of US$ 1.35 million will be fulfilled, and even if they were paid in full, the GCF Trust Fund would still be short US$ 176,000 to fully fund decisions that the Board has already taken up to the Berlin meeting.

TABLE 2:

Status of pledges and contributions to the GCF Trust Fund, as of February 28, 2013

Country	Pledges (US$ '000s)	Deposited (US$ '000s)	Remaining TC Funding (US$ '000s)
Australia	513	513	
Denmark	608	608	254
Finland	648	648	
France	326	326	
Germany	1,035	(1,035*)	282
Korea	2,099	2,099	
Netherlands	286	286	
Norway	700		337
Spain			92
Sweden	752	752	
Switzerland			80
United Kingdom	657 (788*)		
United States			275
TOTAL (as of December 31, 2013)	8,113	5,731	1,319
NEW TOTAL (reflecting updated information as of February 28, 2013, shared in Berlin)	8,254*	6,766*	1,319

*NOTE: * denotes updated information at third GCF Board meeting in Berlin, Germany*
Source: Document GCF/B.01-13/Inf.02, February 24, 2013, "Status of Resources" and author notes

Board members took note of the information on the GCF resources provided, noting that GCF Trust Fund resources fall short of approved expenditures and urging the fulfillment of already made pledges as well as commitment of new pledges. Some speakers requested that a cash flow analysis should be integrated in future administrative budget reports as well as benchmarks on cost projections to have a better overview of expenditure expectations and to ensure cost efficiency of expenditures. The Interim Secretariat repeated some of the cost benchmarks elaborated in more detail in Songdo, such as the average cost per day of consultancy commitments of US$ 500, US$ 7000 per trip per eligible Board member and the roughly US$ 150,000 estimated in logistics and venue cost per Board meeting. The Secretariat also informed that while it expects to spent roughly US$ 2.6 million by mid-year (or less than half of the budgeted amount), it expects its administrative costs to increase in the second half of the year with additional staff hired.

Resource Mobilization for the GCF

In Songdo, the Board had requested the Interim Secretariat to prepare a document for Berlin that would outline the various options for resource mobilization for the GCF, including initial contributions, subsequent replenishments as well as the sequencing, timing, participation, contribution form and size and policies of such a process. The GCF's Governing Instrument does not specify how resources should be mobilized for the GCF, indicating only in paras. 29 and 30 that the financial inputs are to come from developed country Parties to the Convention and that inputs might also come from a variety of other sources, "public and private, including alternative sources." The GCF Secretariat is given the task to "[s]upport the Board in arranging replenishment processes (para. 23(k)).

The document provided to the Board in Berlin looked therefore at the practices and resource mobilization processes at other funds and institutions, such as the GEF, the World Bank's International Development Agency (IDA) or CIFs, and the Global Fund. It identified three main options for resource mobilization, namely 1) to follow an ad hoc resource mobilization process (such as the CIFs); 2) to start the GCF with an ad hoc resource mobilization process and then move to a periodic replenishment process (such as the Global Fund or the GEF); or 3) to immediately start out with a periodic replenishment process (such as IDA). In Berlin, the Board was asked for guidance and to approve the preparation of a strategy document on resource mobilization that will lay out key elements and a timeline for organizing the initial resource mobilization of the Fund. At its September Board meeting, the Board is then scheduled to take decisions on the Fund's approach to resource mobilization and its key factors, including questions of timing, frequency, sequencing, participation and politically sensitive questions such as earmarking and burden-sharing.

In a lengthy and sometimes heated discussion several developing country speakers pointed out that the paper by the Secretariat, while describing the process, did not provide a strategic overview over how the GCF is to make "a significant and ambitious contribution to the global efforts … to combat climate change" (GI, para.1) by channeling "new, additional, adequate, and predictable financial resources to developing countries" (GI, para.3). They reminded their developed country colleagues that a significant upfront contribution is necessary in order to have predictability, that the GCF is not a donor-driven funding model but the financial instrument of an effective contract between developed and developing countries with a very different scale and mandate from existing funds and urged the consideration of those guiding principles and objectives in the strategy document to be decided in September. In this context several speakers argued for the inclusion of needs assessments in resource mobilization strategies to illustrate the magnitude of the challenge, for example elaborated in the UNFCCC work program on long-term finance, which estimated finance needs of around US$ 650 billion for adaptation and US$ 1.5 trillion for mitigation annually. Developed country speakers in contrast pointed out that the "right order" or sequence to deal with resource mobilization is to make headway in operationalizing the Fund first, particularly its business model framework (BMF), its private sector facility and fiduciary, environmental and social safeguards, so as to be able to answer basic questions about how the Fund will function. Without first seeing the "animal", they contended, it will be nearly impossible to mobilize substantial resources. This view was challenged by developing country speakers urging the Board to move forward on resource mobilization and the BMF conjointly.

With about 2/3 of the Board members participating with inputs in the discussion, most speakers declared their preference for a short-term initial ad hoc mobilization process followed by periodic replenishments, with fewer voices in favor of periodic replenishment only. A number of Board members suggested that the Fund should be flexible in accepting contributions from beyond developed country contributions from a variety of contributors as well as in various forms, including grants and loans. On the question of earmarking, several developed country Board members urged caution as it would reduce the flexibility of the Board to make decisions, while a few outright rejected it. Several developed country Board members brought up the issue of burden-sharing, indicating that they would like to see a fair and transparent burden-sharing process instituted with voting reflective of fulfilled, not merely pledged contributions, a notion that was sharply rejected by one developed country member who declared contributions to be “independent decisions”. The same Board member, supported by a few developed country colleagues, also opposed any mention of a specific timeline for the GCF resource mobilization process in the upcoming strategy document, urging instead to explore different models of timelines as employed by existing funds and instruments.

Strangely enough in a conversation that was all about how and when to get money into the GCF, only a few speakers gave specific dates for when the resource mobilization for the GCF should start, with one developing country Board member and an active civil society observer urging for initial pledges to be collected in an ad hoc process already in 2013 so as to bring those pledges to the next COP, and another developing country Board member hoping for resource mobilization to start post-COP 18 in 2014 and the GCF disbursing its first grants and loans in 2015. Both active civil society observers also urged burden-sharing, a redirecting of public money from other expenditures, for example military, to climate finance, ensuring balanced allocation between mitigation and adaptation and the consideration of innovative financing mechanisms to contribute to the GCF resources, in particular the Financial Transactions Tax (FTT) and Special Drawing Rights (SDRs). Lastly, a developing country Board member reminded his colleagues that neither the Secretariat nor any strategy document they will produce for the September meeting can resolve the political nature of the resource mobilization discourse, with developed countries having to take the lead on this. Coincidentally, at the invitation of the United States a select group of developed countries is meeting in Washington, DC on April 10th/11th to discuss climate finance mobilization long-term, including for the GCF.

Modalities for Readiness and Preparatory Support

The Governing Instrument in para. 40 makes readiness and preparatory activities and technical assistance, for example for low-emission development strategies and plans (including NAPAs, NAMAs and NAPs) and for in-country institutional strengthening (including for dealing with standards and safeguards for direct access), an explicit mandate of the GCF. Board members had already emphasized in the discussion on the BMF that support for preparing developing countries to be “ready” for GCF funding is a critical element for the effectiveness of the GCF, with some members urging the explicit inclusion of the issue in the BMF papers. In Berlin, following the work plan for the Board outlined in Songdo, the discussion on readiness and preparatory support was led as a separate agenda item based on a paper prepared for the meeting and outlining the scope for further work.[19]

GCF readiness and preparatory support is most critical for least developed and small island developing countries, which have been severely under-funded by existing climate finance instruments and often lack the capacity to access funds and implement programs, both directly and in cooperation with international implementing agencies. Developing country Board members from these country groups, reporting back from an informal discussion on readiness and preparatory support on the eve of the Board meeting, reported on points of convergence among participating Board members, including for such support to be flexible and responsive to country needs and circumstances (and for example support country needs assessments), to be sustained and iterative and not a one-off activity, and to be provided independent of progress on the BMF with fast-tracking of activities identified as “no-regret options.” Such activities could be focused on identifying complementarities and gaps in existing efforts or on identifying principles and country priorities for readiness finance even before the GCF is fully up and running (for example via fast track accreditation of entities to support readiness activities).

Several Board members supported the suggestion to make a Board decision in Berlin on readiness more pro-active by mandating to explore options on initiating work on operationalizing a readiness phase independent of the BMF schedule. They were also supportive of exploring the possibility of holding a technical workshop on such support. A number of Board members, both from developing and developed countries, pointed out that there are already a number of existing readiness activities (including in the CIFs), with funding being provided by a number of countries, including implementation through national development agencies (as in the case of Germany and Japan). For example, Germany in Durban had offered € 50 million for readiness activities and reiterated its willingness to align its funding with the GCF evolving work on the BMF. Several Board members urged both a gap analysis and ways to use existing initiatives as a stepping stone for progress toward accessing GCF funding in the future as well as a consideration of efforts within the GCF to help in coordinating among exiting readiness initiatives in a sort of clearinghouse function. For the active observers, the representative of the private sector highlighted the need to direct readiness activities to put in place “investor-grade policies” in developing countries and develop of pipeline of bankable projects, offering the cooperation of the private sector in hosting regional fora and meetings similar to the private sector forum as part of the CIF partnership forum. The active civil society observer pointed to preparatory efforts directed to country needs assessments and stakeholder participation efforts in the development of country strategic plans as a way to improve the overall quality of funding proposals that will be put forward to the Board.

The Berlin Board decision[20] decides to initiate a GCF readiness phase by identifying\ short-term initiatives to support readiness and preparatory support, acting as a kind of coordinating mechanism and clearinghouse on readiness support needs and gaps and engaging with existing initiatives and programs to ensure coherence. Mindful that preparatory support through the GCF will only be feasible if additional resources are provided to the administrative budget of the Fund, the Board decision invited countries' contribution to the GCF Trust Fund, taking into account several Board members' remarks that the invitation to financially contribute to readiness support does not have to be restricted to developed countries and striking a prior referral to “developed countries” in that context. (Indeed, South Korea, a developing country under the UNFCCC as part of its bid to be the GCF host country had offered some finance for preparatory and readiness support.)

Arrangements between the Conference of the Parties and the GCF

Durban decision 3/CP.17 designated the GCF “as an operating entity of the financial mechanism of the convention, in accordance with Article 11 of the Convention”, while the GCF Governing Document specified in para.4 that it “will be accountable to and function under the guidance” of the COP. This wording is similar to the one describing the relationship between the COP and the GEF, which like the GCF is an operating entity of the UNFCCC financial mechanism. The decision also mandated originally that arrangements between the Fund and the COP had to be concluded by COP 18 in Doha to ensure that the COP can provide guidance to the Fund “to support projects, programmes, polices and other activities in developing country Parties” (para.3). However, at its meeting in Songdo, the Board was not able to resolve the question of whether the Board was able to come up with draft arrangements to be presented to COP 18 on its own authority or if the COP was to initiate a decision on the details of those arrangements. It therefore took no action in time for COP 18.

In Doha, the COP in decision 7/CP.18 specified that the Standing Committee on Finance and the GCF Board should develop the arrangements between the Fund and the COP for agreement by the Board and subsequent agreement by COP 19. The Standing Committee on Finance in a meeting just prior to the GCF Board meeting discussed the matter further and submitted a letter from its two Co-Chairs to the GCF Board (which was not shared with observers). In Berlin, the GCF Board took note of the outcome of the discussion within the Standing Committee on the GCF-COP arrangements and mandated the GCF Co-Chairs to develop together with the Co-Chairs of the Standing Committee on Finance draft arrangements between the COP and the GCF. These will be presented at the June Board meeting for Board consideration and input with a view to adopting proposed arrangements at the September Board meeting. The GCF Board decision will then be presented at COP 19 in Warsaw in November for agreement.[21]

An important part of these arrangements, which are still to be detailed, is the mandate for an annual activity report from the GCF Board to the COP (para. 6c of the Governing Instrument), which the GCF Board approved in Songdo and submitted to COP 18.[22] COP 18 welcomed the report and in return provided guidance to the GCF, including by asking the GCF to initiate a process to collaborate with the Adaptation Committee and the Technology Executive Committee, as well as other thematic bodies under the Convention, to define linkages between the Fund and these bodies as appropriate. COP 18 also advised the GCF to expeditiously implement its 2013 work plan to make the Fund operational as soon as possible to enable “an early and adequate replenishment process”.[23]

Logo for the GCF

In Songdo, the Board had first discussed the idea of launching an international competition inviting arts and design students to submit an entry for a future logo for the GCF. This was seen as a good way for the Fund to reach out, particularly to young people, to raise awareness for the Fund and for the challenges and threats posed by climate change. In Songdo, the alternate Board member from Pakistan was put in charge of developing this idea further after his then proposal for a cash prize of total US$ 30,000 for the first three placed entries did not find the consensus of Board members. Several developed country members had rejected that proposal citing cost consciousness reasons (irrespective of the fact that a professional design firm or a public relations campaign to raise awareness for the Fund would likewise not be cost-neutral).

In Berlin, a slightly reworked proposal was put to the consideration of Board members, suggesting that the GCF Secretariat would be paying only for the travel and accommodation of the winner (individual or two representatives of a group) to the September Board meeting during which time the winner of the competition would be announced. Instead the proposal suggested the possibility that a cash prize could be offered separately, outside of the GCF, by a private sector sponsor which had made such an offer to the Interim Secretariat. While the active private sector observer saw this as a good example for how the private sector can constructively engage with the GCF, the active civil society observer cautioned against the perception of a possible conflict of interest in the absence of a Fund policy on such conflicts and the perception of undue corporate influence in the Fund for one of its first public outreach efforts. A developing country representative echoed this concern and stated that as a matter of principle such efforts should be funded by the GCF, not outside sponsors.

In the end, the proposal for a cash prize through private sponsorship was dropped from the decision. The winner(s) of the logo contest, which will be open to young people under 25 with entries to be received by June 30, 2013, will instead be recognized by displaying the name of the individual/group at GCF headquarters. At its June meeting, the Board will constitute a selection panel with Board members, including a representative each from civil society and the private sector and a well-known graphic designer, to select the winner among a shortlisted set of 100 entries based on pre-selected criteria. The winner will be announced at the September Board meeting.

Looking ahead

Only two more Board meetings are scheduled for 2013: the next from June 25-28 in Incheon City, South Korea, and the last from September 4-6 with preparatory meetings on September 3 at a venue yet to be confirmed. With a comprehensive work plan for 2013 and a long list of items needing decision before the end of the year, the GCF Board is likely to only cursorily discuss crucial issues determining the future mission, scale and impact of the Fund during its Board meetings. Adding informal consultation and information workshops before Board meetings, as planned for example for preparation of decisions on the BMF or readiness support at the next two meetings will help, particularly if stakeholders, defined by the Governing Instrument in para. 71. as “private sector actors, civil society organizations, vulnerable groups, women and indigenous peoples” are given a larger opportunity to engage with the full Board on those occasions and to share some of their policy suggestions, in-country experiences and specific expertise.

Clearly, the Board Co-Chairs are also hoping that an improved electronic communication platform connecting Board members and alternates in between meetings, which the Interim Secretariat is working on, as well as renewed trust in the ability of Board committees and teams to reflect the interests and concerns of the whole Board when attempting to work toward consensus solutions, can speed up Board decision-making by minimizing contention at formal Board meetings. The pattern of the Co-Chairs endowing a group of six Board members or alternates (with three participants each from the developed and developing country constituency of the Board) with the mandate to conduct specific intersessional work based on a broader Board decision, instituted after the first Board meeting in Geneva, has been institutionalized. Earlier misgivings by some Board members about the way those committees have conducted their work in the past, for example by soliciting too little feedback and input on intersessional work too late from all interested Board members, have been acknowledged and are pro-actively addressed for some committee work post-Berlin. With a mandate given by newly adopted additional rules of procedures, the Co-Chairs going forward might attempt to test the limits of how many Board decisions can be made intersessionally on a no-objection basis (with active observers not being included in the circulation of comments or objections to such a proposed decision between meetings); they might also consider conducting extraordinary Board meetings via electronic means.

While intersessional work is clearly necessary, it continues to raise questions of inclusion, transparency and accountability, both with respect to the full Board but even more importantly with respect to the participation and inclusion of observers and stakeholders and ultimately the larger public. The additional rules of procedures on meetings and work organization the Board adopted in Berlin, for example, don't give active observers automatic access to documents shared in Board committees and working groups, nor do they allow for default participation in such meetings. Likewise, it is unclear whether any of the many documents discussed by committees and teams in between Board meetings will be posted on the GCF website, and if active observers would be included in extraordinary Board meetings or Board meetings conducted electronically. While it is still early days for the GCF with several key policy decisions outstanding (for example on information disclosure and communication), continuous improvements in transparency, accountability and ways to strengthen the input and participation of the GCF's stakeholders at successive Board meeting will be an indication of the Fund's ambition to become a "continuously learning institution," as para. 3 of the Governing Instrument mandates. The GCF can only succeed in promoting its vision for funding a paradigm shift toward low-emission and climate resilient development pathways in the context of sustainable development and taking a gender-sensitive approach if it does.

ENDNOTES:

[1] GCF Governing Instrument, para. 2; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF-governing_instrument-120521-block-LY.pdf.

[2] Ibid, para. 3.

[3] The ToR for the BMF consultancy are included as Annex in GCF Board document GCF/B.01-13/11, March 1, 2013; available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B_01-13_11_BMF_final.pdf

[4] See GCF Board Document GCF/B.01-13/12 (Decisions of the Board), Decision B.01-13/06, p.6; available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Decisions_of_the_Board_V1_15March2013.pdf.

[5] Ibid, p.7.

[6] Ibid, Annex XII, pp.25-27..

[7] Ibid, Decision B.01-13/02, p.4.

[8] UNFCCC Decision 3/CP.17 presented in UNFCCC document FCCC/CP/2011/9/Add.1; available at: http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf.

[9] See GCF Board Document GCF/B.01-13/12 (Decisions), Annex I, p. 12 and Annex III, p.14f.

[10] See GCF Board Document GCF/B.01-13/06 (GCF Communication and External Representation); available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B.01_13.06_GCF_Communication_Ext_Repr_drf_5Mar13_final.pdf.

[11] See GCF Board Document GCF/B.01-13/12 (Decisions), p.5.

[12] Ibid, p.4f.

[13] See section on remuneration in the World Bank's Annual Report 2012, available at: http://siteresources.worldbank.org/EXTANNREP2012/Resources/8784408-1346247445238/8817772-1346257753123/9.8_Remuneration.pdf.

[14] United Nations Common System of Salaries, Allowances and Benefits. Available at: http://icsc.un.org/resources/pdfs/sal/sabeng12.pdf.

[15] For the vacancy posting on the GCF website see http://gcfund.net/secretariat/executive-director.html.
[16] See GCF Board document GCF/B.01-13/Inf.04 (staffing); available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B_01-13-Inf.04___Staffing_of_the_IS_final_26Feb13_EDITED.pdf.
[17] See GCF Board document GCF/B.01-13/Inf.04 (administrative policies); available at http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B_01_13_04_admin_policies_final.pdf.
[18] See Decision B.01-13/08, recorded in GCF Board Document GCF/B.01-13/12 (decisions), p.8.
[19] See Board document GCF/B.01-13/08, February 26, 2013 (readiness support); available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B_01_13.08_Modalities_for_Readiness_final_26Feb13.pdf.
[20] See Decision B.01-13/10, recorded in GCF Board Document GCF/B.01-13/12, p.8f.
[21] See Decision B.01-13/11, recorded in GCF Board Document GCF/B.01-13/12, p.9.
[22] See Board Document B.02-12/09 (GCF report to COP); available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B.02_09_Report_of_the_GCF_to_the_COP-final.pdf.
[23] See Board Document GCF/B.91-13/Inf.03 (COP guidance), p.2; available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-01-13_Inf.03_COP_Guidance-final.pdf.

ANNEX I

Members of the Board of the Green Climate Fund (as of March 27, 2013)

Seat No.	Member/ Alternate Member (AM)	Country	Regional Group
1	Mr. Christian N. Adovelande	Benin	Africa
1	Mr. Tosi Mpanu Mpanu (AM)	DR Congo	Africa
2	Mr. Omar El-Arini	Egypt	Africa
2	Mr. Newai Gebre-ab (AM)	Ethiopia	Africa
3	Mr. Zaheer Fakir	South Africa	Africa
3	Mr. Paulo Gomes (AM)	Guinea Bissau	Africa
4	Ms. Zou Jiayi	China	Asia-Pacific
4	Mr. Hong-Sang Jung (AM)	South Korea	Asia Pacific
5	**Mr. Bambang Brodjonegoro**	Indonesia	Asia-Pacific
5	**Mr. Jose Ma. Clemente Sarte Salceda (AM)**	Philippines	Asia-Pacific
6	**Mr. Dipak Dasgupta**	India	Asia-Pacific
6	**Mr. Farukh Iqbai Khan (AM)**	Pakistan	Asia-Pacific
7	**Ms. Adriana Soto**	Columbia	Latin America/ Caribbean
7	**Mr. Gabriel Quijandria Acosta (AM)**	Peru	Latin America/ Caribbean
8	**Ms. Audrey Joy Grant**	Belize	Latin America/ Caribbean
8	**Mr. Jorge A. Ferrer Rodriquez (AM)**	Cuba	Latin America/ Caribbean
9	**Mr. Ernesto Cordero Arroyo**	Mexico	Latin America/ Caribbean
9	Mr. Rodrigo Rojo (AM)	Chile	Latin America/ Caribbean
10	Mr. David Kaluba	Zambia	LDCs
10	Mr. Mesbah ul Alam (AM)	Bangladesh	LDCs
11	Mr. Derek Gibbs	Barbados	SIDS
11	Mr. Ali’ioaigi Feturi Elisaia (AM)	Samoa	SIDS
12	Mr. George Zedginidze	Georgia	Floating seat, developing countries
12	**Mr. Salman Aldossary (AM)**	Saudi Arabia	Floating seat, developing countries
13	Mr. Ewen McDonald	Australia	Australia/ New Zealand
13	Mr. Rod Hilton (AM)	Australia	Australia/ New Zealand
14	Mr. Per Callesen	Denmark	Denmark/ the Netherlands
14	Mr. Richard Doornbosch (AM)	Netherlands	Denmark/ the Netherlands
15	Mr. Arnaud Buisse	France	France
15	Mr. Frederic Glanois (AM)	France	France
16	Mr. Manfred Konukiewitz	Germany	Germany
16	Mr. Norbert Gorissen (AM)	Germany	Germany
17	Mr. Yoshiki Takeuchi	Japan	Japan
17	Mr. Yuji Tsujiki(AM)	Japan	Japan
18	Mr. Kjetil Lund	Norway	Norway/ Czech Republic
18	Mr. Tomas Zidek (AM)	Czech Republic	Norway/ Czech Republic
19	Ms. Beata Jaczewska	Poland	Poland/ Hungary
19	Mr. Adam Kirchknopf (AM)	Hungary	Poland/ Hungary
20	Ms. Ana Fornells de Frutos	Spain	Spain/ Italy
20	Ms. Francesca Manno (AM)	Italy	Spain/ Italy
21	Mr. Alexey Kvasov	Russia	Russia/ Switzerland
21	Mr. Anton Hilber	Switzerland	Russia/ Switzerland
22	Mr. Jan Cedergren	Sweden	Sweden/ Belgium
22	Mr. Jozef Buys (AM)	Belgium	Sweden/ Belgium
23	Mr. Nick Dyer	United Kingdom	United Kingdom
23	Mr. Stewart James	United Kingdom	United Kingdom
24	Mr. Matthew Kotchen	United States	United States
24	Ms. Elizabeth Lien (AM)	Unites States	United States

NOTE: Names of GCF Board Members in bold indicate a change in the arrangements during the three-year term of membership.

ANNEX II

Operationalizing a Gender-Sensitive Approach in the GCF[1]

With decision 3/CP.17, the Green Climate Fund (GCF) made history as the first global climate finance mechanism to include gender equality concerns at its inception by including a set of gender commitments in its Governing Instrument.[2] Anchored as a crosscutting issue in its section on objectives and guiding principles, the Governing Instrument urges the Fund to strive to maximize the impact of its funding for adaptation and mitigation while "taking a gender-sensitive approach" (para.3). Gender equality is now widely being regarded as a driver of transformational change as well as a necessary prerequisite for achieving sustainable and effective low-carbon and climate-resilient development. Gender equality is also a matter of making smart and effective financing choices to address climate change and its differential impacts on men and women.

As the GCF Board moves forward in operationalizing the Fund guided by the Governing Instrument, it must consider how to integrate a "gender-sensitive approach" in its business model framework (BMF) and operational policies in order to promote the paradigm shift toward low-emission and climate-resilient pathways, which addresses climate change as a human-made problem requiring behavioral change and technical solutions. A gender-sensitive approach in the GCF should build on and expand best practices of existing funds and financing instruments in its processes and governing structures, as well as gender mainstreaming experiences in sustainable energy initiatives. Organized under the key agenda topics of the 3rd GCF Board meeting, concrete recommendations of how to achieve such an approach are provided below.

Business Model Framework

The following recommendations are organized under each of the four sections along which the initial discussion of the GCF BMF is structured.

(I) Structure and organization of the Fund

- Fully and meaningfully integrate gender equality and women's empowerment concepts as well as effectively respond to gender-differentiated climate change impacts and needs in the energy and other sectors as a key to promoting a paradigm shift towards low-emission and climate-resilient development in the context of sustainable development (para.1). A gender-sensitive approach requires that women, as essential stakeholders, are fully considered and represented and that gender roles and dynamics, including constraints and capacities, are taken into account and proactively addressed in program and project design, implementation and monitoring and evaluation. Learning from best practices of existing global funds, for example the Global Fund to Fight AIDS, Tuberculosis and Malaria, the GCF should develop a gender mainstreaming strategy or gender action plan and include gender and social expertise in its Secretariat staff.
- Pursue a gender-sensitive approach to the GCF not as an one-off activity, but as an ongoing process of rethinking the way the Fund will conduct its activities to evolve and grow with the GCF as a continuous learning institution as stipulated in para.3 of the Governing Instrument.
- Allow for the adequate representation of men and women in all GCF decision-making and governing bodies, including Board, sub-Committees and working groups, in accordance with the Governing Instrument mandate to give due consideration of gender-balance in GCF Board composition (para. 11).

[1] Authors: The Global Gender and Climate Alliance (GGCA) Climate Finance Working Group and the Heinrich Böll Foundation North America. Contact: liane.schalatek@us.boell.org. Shared at the GCF Board meeting in Berlin, Germany.

[2] Explicit gender reference in the GCF Governing Instrument are included under I. Objectives and Guiding Principles, Paragraph 3; II. Governance and Institutional Arrangements, Paragraphs 11 and 21; V. Operational Modalities, Paragraphs 31; XII. Stakeholder Input and Participation, Paragraphs 71.

- Address the current global underfunding of adaptation, given that women are disproportionally affected by climate change impacts in developing countries, by ensuring a balanced allocation between mitigation and adaptation, with a recommended allocation of no less than 50 percent of overall funds for the adaptation window.
- Develop gender-sensitive criteria for project identification and fund allocation for each funding window and facility, including the initial windows for adaptation and mitigation.

(II) Private sector facility (PSF)

- Look at ways to make financing available to female entrepreneurs to incubate and scale-up field-proven solutions, for example, by working with national or local financial intermediaries in developing countries such as local banks or micro-lending institutions, including via support for capacity building and technical assistance. Women entrepreneurs in developing countries – a majority of whom are engaged in micro, small and medium sized enterprises providing services to communities – have a key role to play in reducing emissions, marketing low carbon energy technologies, and addressing vulnerabilities to climate change. For the vast majority of women working in the private sector, a lack of capital, credit, and information about financing makes it difficult for them to scale up their business enterprises, contribute most effectively to mitigation efforts in their communities, and respond adequately to the devastating effects of environmental disasters and climate change. A gender-responsive PSF has to address these needs and help women to achieve their full potential to address climate change and promote sustainable energy. This will help enhance the opportunities of women to become equal participants in the economy as well as the productivity of a country implementing innovative business models that offer green jobs.
- Develop gender-sensitive criteria for private sector project identification and fund allocation as well as project implementation. Such criteria could include engaging with women-run private sector small and medium enterprises as well as private sector businesses, companies and investors who are gender aware in their work, and have established inclusive sustainable business practices, investment strategies, carbon reduction targets, etc.
- In the PSF, adhere to strict environmental, social and gender safeguards coherent with the overall GCF funding approach to ensure that women are not negatively affected by PSF investments in developing countries, especially large-scale ones.
- Fully disclose project-related information as the default, with non-disclosure to be justified only in exceptional circumstances, to ensure transparency and accountability of PSF investments and their adherence to such safeguards and standards.
- Ensure PSF-supported activities are gender-sensitive, developed with the full and meaningful participation of all relevant stakeholders, including women, and aligned with national climate and development plans and priorities in applying the principle of country-ownership and implementing the no-objection procedure.

(III) Access modalities

- Consider traditional as well as innovative access modalities to facilitate a gender-sensitive approach and to help guarantee effective access of resources across vulnerable populations. For example, specifically earmarked reserve funds for women and marginalized groups within each of the GCFs' thematic funding windows could be set aside. The GCF Board could also channel resources through complementary funding mechanisms dedicated to women's empowerment and gender equality that are in alignment with the GCF's objectives, as a complement to but not a substitute for addressing gender-based criteria across the Fund.
- Stipulate gender-sensitive consultations with women and men in recipient countries as a requirement at all project cycle stages — conceptualization, design, implementation and monitoring and evaluation — drawing on local expertise and experience to ensure women and men stakeholders' access to and benefits from climate financing.

- Give state, non-state and sub-national actors, including civil society groups and communities, the opportunity to directly access funding without intermediaries as an option and preferred access modality. Support women's cooperatives and organizations and other vulnerable and marginalized groups both to engage in participatory country-led processes for the design and implementation of GCF finance (such as National Designated Authorities) and to apply for finance directly for adaptation and mitigation activities, for example via a small grants facility for women and marginalized groups.
- Given finance mechanisms' often complex application processes and projects' significant upfront costs, make special efforts to facilitate the access of women's, grassroots and civil society organizations to GCF funding to help support women's and small-scale initiatives. This can be achieved by streamlining the Funds' processes such as application, registration, approval, implementation, evaluation and monitoring.
- Require national designated authorities and implementing entities to have gender expertise, seek a gender balance on their staff and include key women stakeholders.
- Consider experience with and a commitment to gender-responsive funding implementation a criterion for the accreditation of national and multilateral implementing entities and support national entities to build the necessary capacity to do so.

(IV) Results management framework

- Include gender equality considerations in planning and reporting instruments, as they are key elements of an effective results management framework. Develop gender guidelines or gender action plans which include gender-responsive criteria for programme design and performance, beginning with a mandatory up-front gender analysis to establish, inter alia, relevant baselines as fundamental building blocks for an effective, accurate and gender-responsive results management framework.
- Require that all data collected and used by the GCF is disaggregated by sex. Create gender specific measurable and verifiable indicators to monitor, evaluate, and track progress of projects and programming. Encourage participatory monitoring efforts, including women as key stakeholders, during implementation at the local level as suggested under para. 57 of the Governing Instrument.
- Promote gender-responsive budgeting, monitoring, evaluation and auditing procedures and timely comprehensive reporting on participation of women and other vulnerable and marginalized groups in the development of country-led strategies. Such reporting should also include clear evaluation tools to determine to what extent stakeholder views were reflected in strategy formulation and implementation.
- Draw on a network of external gender experts, such as a gender advisory group, to monitor gender-sensitive capacity building activities and provide technical support, including the identification and documentation of good practices and lessons learned from other relevant funds. (Question 57)
- In addition to the GCF evaluation unit, consider creating an external independent evaluation process, to assess the implementation of GCF gender policies and mandates in all GCF programming periodically.

Establishment of the Independent Secretariat

- Strive for gender balance among the Independent Secretariat staff as diversity in leadership and broad expertise in decision-making creates opportunities for transformative change by improving on existing approaches to ensure that the GCF can best address complex climate change challenges, including the diverse needs and capacities of those impacted by and able to combat climate change.
- Include gender expertise in the staff of the Interim and permanent Independent Secretariat and ensure that the Head of the Independent Secretariat has a strong commitment to realizing a gender-sensitive approach in all of the GCF's operations.
- Provide adequate resources for an internal GCF gender infrastructure in the budgets of the Interim and permanent Independent Secretariat to include gender and social experts, gender capacity building efforts, as well as resources for information sharing and outreach activities.

- Mandate the GCF Independent Secretariat to develop gender guidelines or gender action plans that are in alignment with relevant international commitments—including on human and women's rights, labor standards and environmental law—to be reviewed and updated periodically.
- Provide mandatory gender training for all GCF Secretariat staff.
- Make gender expertise an important criterion for staff selection and promotion.

Resource mobilization

- Commit to financing all GCF gender mainstreaming efforts from the Fund's core budget as a core mandate of the Fund to be covered by developed countries' contributions to the Fund, instead of making such activities dependent on special (earmarked) contributions or commitments.

Modalities for readiness and preparatory support

- Provide support for readiness and preparatory activities, including technical assistance and capacity-building, for countries to develop gender-sensitive programming in alignment with a GCF gender action plan as a basic component of any funding modality.
- Provide support to strengthen the capability of recipient countries' national statistical systems to collect and analyze sex-disaggregated data relevant to GCF funding and measuring its effectiveness.
- Provide dedicated resources for capacity-building and other support as necessary to facilitate the full and meaningful engagement of women and other vulnerable and marginalized groups in country-led preparatory processes for the design and implementation of GCF finance (such as through the engagement with newly appointed National Designated Authorities or the upgrading and further development of relevant national planning documents, such as NAPAs, NAPs, NAMAs and national energy, development and climate plans).

Additional rules of procedure of the Board

- Make Board proceedings fully transparent and allow for webcasting, with key documents to be shared for stakeholder review and input in advance of meetings.
- Allow active observers in building on existing precedent to make interventions during Board meetings as issues arise, to add agenda items and to request expert input and to participate in all Board working arrangements, including those conducted in between official Board meetings. Such representation by active observers should be encouraged to be gender-balanced and gender-informed.

Accountability and redress mechanism

- Develop a robust accountability framework that reinforces gender equality, women's rights and women's full participation in climate change strategies, in alignment with existing international commitments.
- Institute a gender-sensitive complaint and redress mechanism capable of addressing violations against social and environmental safeguards and policies, as well as against the proposed gender action plan of the GCF, at both the GCF institutional and the implementing entity level.
- Any GCF redress mechanism must allow civil society stakeholders, including women, to raise complaints and grievances with the GCF redress mechanism and have them addressed by gender experts.

ANNEX III

Intervention by Meenakshi Raman, Third World Network, Interim Active Civil Society Observer from developing countries, at the March 12th informal meeting of the Board on the Business Model Framework BMF

We would like to stress right at the outset that how the Fund works will be judged by those whose needs it must serve most – the smallholder farmer in the field and the slum dweller in the city. To borrow from Gandhi – it will be judged by how it treats the poorest in society and not by how it treats the richest.

The term business model framework (BMF) is not reflective of the broader vision of the GCF vision. The term narrows down the discussion in certain directions. If we want to talk about the essentials regarding the GCF, then it is about

- how the Fund raises the money;
- how it spends the money
- what are the decision making structures

This is the central point.

In the raising of the money for the GCF, it has to be adequate, additional and predictable and done in a fair manner of burden-sharing among the developed countries as guided by Article 4.3 and Article 11.3(d) of the Convention that all developed countries are to contribute to the Fund and within a system of fair and appropriate burden-sharing.

Contributions to the GCF are not on a voluntary basis where countries can decide if they want to contribute or not. It about fulfilling the commitments to contribute financial resources by developed countries under the Convention. In this regard, there is need for guidelines on the contributions to be made, according to capacity and possible responsibility to pay according to their cumulative emissions.

It is up to each developed country to raise the money for the GCF. We believe that assessed contributions by developed country governments should be the main stay, especially in the first 3-4 years of the GCF. Complementing this, alternative sources for raising additional public finance for the GCF could be deployed by developed countries, such as through lottery, financial transaction taxes, carbon and other environmental taxes etc.

On the uses of the Fund, it has to be done in a balanced and fair manner between adaptation and mitigation as to who gets the money and how to ensure it is spent in an accountable manner with fiduciary standards and used in a socially and environmentally safe and gender-sensitive way; hence the need for appropriate safeguards.

During the start-up phase of the GCF, it should focus on using grants to developing countries rather than other methods such as concessional loans.

In the first phase of the Fund, high priority must be given to capacity-building, in particular, the building of institutions and of participatory and transparent processes, enabling countries to have capacity to do climate programmes and to receive and make use of the GCF funds.

Another priority of the Fund, especially for the first years, must be adaptation, which is a major issue, given the extreme weather events and exposure to vulnerability. The funds for this should be in the form of grants. The paradigm shift needed in adaptation has to be both needs-based and rights-based.

Simultaneously, funds should go for mitigation and to pay for the incremental costs. It is useful for the GCF to provide examples of what are incremental costs.

Direct access to the GCF funds by developing countries should be the best way forward but developing countries can also decide that some money can be channelled through other external bodies.

When developing countries access funds, they must have flexibility to use them in a variety of ways, including for public sector investments like public transport, renewable energy, sustainable agriculture, subsidies to firms and farmers and support to the private sector to shift to sustainable development.

To ensure full country-ownership, the GCF should allow for National Designated Authorities to be at the centre of its operations. Eventually, the goal must be to devolve decisions, including funding decisions, to the country level as much as possible.

The NDA process must include full and inclusive stakeholder participation and engagement; appropriate mechanisms to ensure funding reaches the local level and is focused on those most in need. Such enhancement of country-driven ownership will obviously require substantive support for readiness and capacity-building, including setting up and operating in-country participatory and transparent planning processes.

With respect to the private sector facility, the GCF should prioritize support for domestic private sector actors, in particular micro, small and medium-size enterprises, in both the formal and the informal economy. Supported projects and activities should:

- Be driven by developing country government policies;
- Build domestic and local capacity and support the development of endogenous technology;
- Attain the consent of communities in a process free of disinformation or intimidation and according to the international principle of free, prior, and informed consent;
- Use development- and climate-friendly procurement practices, including the use of local goods and services;
- Be additional, which includes two components — financial additionality (i.e. would the private investment have happened anyway?) and operational and institutional additionality (i.e. is the resulting investment better aligned with the aims of the GCF?);
- Adhere to clear, binding and uniform internationally best practice social, environmental, and fiduciary standards.

The GCF should not finance multinational corporations, as suggested by some developed countries. This is a very unwise move that would expose the GCF to accusations that developed countries are using the GCF to subsidise their own companies rather than to support developing countries.

The GCF should not deploy risky financial instruments, such as loan guarantees. These instruments are unlikely to reach companies in low and lower middle income countries, especially small and medium sized enterprises. Further, their use threatens to transfer risk of failure from private investors to the GCF. The GCF should not undertake risky ventures, more so in the initial phase.

The private sector should be able to take their own risks; or to get risks shared through other organisations; or to take risk insurance from other organisations that exist.

Finally, it is vital to build the public confidence that the GCF is up and running. This requires significant injection of funds by developed countries and significant uses of the fund for adaptation and institution building.

We CSOs, who are following and witnessing the evolution of the GCF are conveyors of what is happening here to the public. We hope you give us positive things to report. We also look forward to constructively engage in the debate on the vision of the fund.

Talking Points of the Intervention by Steve Herz, Sierra Club, Interim Active Civil Society Observer for the Developed Countries, at the March 12th Informal GCF Board Session on the Business Model Framework

On addressing one of the guiding questions: what does it mean to "*to promote a paradigm shift towards low-emission and climate-resilient development pathways*".

- Given the scale of the challenge and the unique mandate of the GCF, the objective of achieving a "paradigm shift" should be the central organizing principle of the GCF's work. How the GCF defines and prioritizes actions to spur a "paradigm shift" will be a key determinant of its impact and effectiveness on the climate crisis and in making a significant difference in the lives of affected people.
- ***It is therefore critical for the Board to reach understanding on the "paradigm shift" the GCF will promote for*** mitigation and adaptation. This includes a discussion on how to apply it also to the PS facility***.*** We believe the "paradigm shift" must include these three pillars: ***(1) ambition, (2) country-driven planning, and (3) multi-stakeholder, participatory and inclusive decision-making.***
- All 3 are critically important to us, but country led planning and participatory decision-making have other textual homes in the GI, so won't address them further now. Ambition—what is suitably ambitious to merit GCF support? does not, so I'd like to spend the time discussing.

A couple introductory points:

- Rough and ready understanding: When BAU for decisions by governments, investors and consumers, and civil society lead to the low carbon and climate resilient actions.
- Consensus that GCF-funded initiatives should deliver sustainable development and resiliency benefits, including at the local level. Board should be clear about how those values be integrated in decision-making?
- GCF needs to be strategic and add value. For example, actions that would go forward without GCF support cannot, by definition, promote a paradigm shift.

Mitigation:

- First, the GCF should focus on enabling a rapid shifting of emissions trajectories, taking into account environmental and social safeguards, and taking a gender-sensitive approach, ensuring social, economic and development co-benefits particularly for the poor.
- Second, paradigm shifting actions should also include initiatives that may deliver smaller immediate reductions, but can contribute towards transforming markets and patterns of consumption and investment over the medium to long term.
- In this regard, initiatives to support SME are critical. Many of the most transformational initiatives underway today are happening at the local level, scaling up these initiatives can be an extremely effective way to catalyze a paradigm shift at the scale and ambition that is required. Resist the idea that ambition and transformation are synonymous with big infrastructure.
- In general, preference for supporting policy level shifts over one-off investments.

Adaptation:

- Ambition in adaptation context is tougher to define. It means building resilience at different levels--national, regional and local—to the variety of climate induced stressors that need to be addressed comprehensively.
- It must be understood in the context of developing country needs and the rights of those directly impacted, including critically, equitable resource access and the participation of affected communities in adaptation decision-making.

Annex IV

Civil Society Input on Terms of Reference for Business Model Framework Papers to Be Prepared for June/September Green Climate Fund Board Meetings

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Introduction and general input for Business Model Framework documents

The following submission is the product of a collaboration among the various civil society groups that were present at the recent Berlin Board meeting, including the two civil society active observers as well as those observers who watched the proceedings from the overflow room.

This submission is structured on Annexes XIV and XV of document GCF/B.01-13/12, "Decisions of the Board – Third Meeting of the Board, 13-15 March 2013." These Annexes lay out the nine documents regarding the Business Model Framework which are to be prepared for the Board's consideration at its upcoming meetings in June and September 2013. This submission offers civil society viewpoints on the first seven of these documents, including guiding questions that should be addressed either in the Terms of Reference for consultants or in the documents themselves.

In addition to comments specific to each of the first seven documents, the following points are relevant to all of the BMF documents or to the process as a whole.

1. *Mandate of the research/consultancy:*
   The consultant(s) chosen to write the Business Model Framework papers listed in Annexes XIV and XV of document GCF/B.01-13/12 will be under the supervision of the Interim Secretariat, and will report regularly on progress to Board members. The documents will propose options available to the Board in fulfilling its responsibility to develop the necessary arrangements to operationalize the Fund in line with provisions articulated in the Governing Instrument and Decision 3/CP.17. The documents will be prepared with the understanding that the Fund will contribute to the achievement of the ultimate objective of the UNFCCC, will be guided by the provisions and principles of the UNFCCC, and will promote the paradigm shift towards low-emission and climate-resilient development pathways. Each document will include an analysis and review of best practices from other relevant funds and institutions, taking into account their relevance to the fact that the GCF is an operating entity of the financial mechanism of the UNFCCC.

2. *Sequencing of the research/consultancy*:
The documents to be prepared per Annex XIV (a) Objectives, results and performance indicators and (b) Country ownership provide fundamental input and guidance for research into options to be presented in the remaining documents. Best practices on country ownership, for example, should feed into the research on various access modalities. We therefore recommend first finalising Annex XIV documents (a) and (b) and basing the remaining documents on these initial papers.

3. *Research/consultancy team composition*:
The nature of those involved in the research/consultancy will greatly influence the results. We therefore suggest that a broad range of expertise and backgrounds come together in the research teams, including academics, experts on climate strategies, those with extensive knowledge about the UNFCCC and its various adopted decisions, those with development, finance and social and gender expertise, and practitioners with relevant on-the-ground experience with adaptation and mitigation projects in a developing country context. The selection of research teams or consultants must also be balanced in terms of North-South and gender.

4. *Consultation*:
It is expected that the documents will be based on extensive consultations with the Board members, their alternates and advisors, and outreach activities to all relevant stakeholders from both donor and recipient countries. This is to include civil society organizations, private-sector actors, vulnerable groups, women and indigenous peoples as defined in the governing instrument. It is also expected that technical inputs will be sought from experts from a range of geographic regions and areas of expertise including decentralized renewable energy, adaptation, sustainable agriculture, participatory development, human rights and small and medium business. Evidence/proof and details of such consultation and outreach activities, and copies of background research documents and inputs, should be published in an Annex to the reports delivered.

Annex XIV (a) Objectives, results and performance indicators

Document Objectives

This document should provide for the Board's consideration:

i. An analysis of the objectives for the Fund, including the results it aims to achieve.
ii. A systematic review of available research on the impacts and outcomes of competing delivery models for climate finance.
iii. A systematic review of the comparative performance to date of institutions and funds managing climate finance.
iv. A systematic review of research to date on the effectiveness of different performance and safeguarding indicators at the project, program and national levels and the overall performance of funded activities. This should include composite indicators and scoring systems as well as resource rights, environment, social, gender, poverty alleviation and governance indicators.

Guiding Questions

Based on the "Objectives and Guiding Principles" chapter of the Green Climate Fund Governing Instrument, we suggest that the following guiding questions inform this Business Model Framework document.

<u>"Significant and ambitious contribution" (GCF Governing Instrument, para 1.)</u>

- What specific, measurable criteria should be used to determine if a given proposal is sufficiently ambitious in its proposed mitigation or adaptation outcomes to merit GCF support?

- What kinds of interventions are likely to produce the most "significant and ambitious contributions, and how should they be prioritized? For example, with regard to mitigation, end-use efficiency alternatives are widely recognized as among the quickest, cleanest and lowest cost abatement options. How should the GCF prioritize helping countries overcome barriers to negative cost or low cost efficiency improvements?
- How should the GCF evaluate additionality, to ensure that it does not fund projects that would go forward without GCF assistance?

Paradigm Shift (para. 2):

- How should the "paradigm shift" objective be defined in operational terms, so as to provide a benchmark to evaluate proposals and measure performance?
- How will these criteria be used to evaluate and prioritize funding proposals in the adaption and mitigation windows and in the private sector facility?
- Recognizing that policy changes may have greater potential to shift paradigms than discrete investments, how should the GCF prioritize policy support over discrete investments?
- How could funding prioritize programmes with sector-wide, regional, or economy-wide implications and activities with a long-term, sustainable and demonstrable or replicable potential?
- How could programming by the GCF transform the incentives faced by players in the market, such as by reducing barriers to low-emissions investment and eliminating market failures?

Sustainable development co-benefits (para 2):

- Given that the objective to promote a paradigm shift is framed "in the context of sustainable development", how will sustainable development benefits be used to evaluate and prioritize funding proposals?
- How will funding decisions be made? What transparent methodology or criteria can the Secretariat use to prioritize funding possibilities?
- With regard to mitigation proposals, should proposals with greater local benefits be prioritized, or should the GCF focus more or less exclusively on GHG abatement impacts?
- Should the GCF prioritize proposals that countries have placed on the NAMA registry, to ensure that they are "nationally appropriate" and will deliver local sustainable development benefits? seeking support? Should the GCF add additional requirements, such as low carbon development strategies or sectoral strategies to ensure that the GCF supported proposals have the greatest possible impact.
- How should GHG abatement impacts of funded projects be systematically and externally audited?

Annex XIV (b) Country Ownership

Background

Country ownership is a central principle and operating objective of the Green Climate Fund. In addressing country ownership, the Business Model Framework of the GCF should take into account, *inter alia*, the following elements of the Governing Instrument and the COP decision at Durban (3CP/17).

> *" . . . The Fund will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders . . . "*[3]

[3] Governing instrument for the Green Climate Fund, Paragraph 3.

"The Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities."[4]

"Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes."[5]

"Recipient countries will nominate competent subnational, national and regional implementing entities for accreditation to receive funding. The Board will consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes."[6]

"[R]equests the Board to develop a transparent no-objection procedure to be conducted through national designated authorities referred to in paragraph 46 of the governing instrument annexed to this decision, in order to ensure consistency with national climate strategies and plans and a country driven approach".[7]

"The Board will develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund".[8]

Document Objectives

This paper should offer for the Board's consideration:

- An assessment of various possible institutional models for the GCF in terms of implications for country ownership, including participation by civil society and engagement of vulnerable groups and communities, including indigenous peoples and women. This could make reference to existing models in use by sub-national, national, regional and international funds (such as the Global Fund to Fight AIDS, Tuberculosis and Malaria), including funds that are climate focused as well as considering potential improvements upon existing practice.
- An assessment and provision of options for the role in the GCF structure to be played by country-based institutions and mechanisms, including National Designated Authorities, national implementing entities, subnational entities, and multi-stakeholder mechanisms at country level.
- An assessment of how direct access can best facilitate the objectives of country ownership.
- An assessment of the manner in which the Adaptation and Mitigation Funding Windows, the Private Sector Facility, and any other elements of the Fund can be subject to country-determined decisions and oversight, including an assessment of how financial flows should be structured to maximize country ownership and accountability to national institutions and civil society in-country. This should include assessment of implementation of the 'no objection procedure'.
- An assessment of how national-level strategies and plans can be developed and used as the primary framework for determining priorities for adaptation and mitigation finance, including for private sector finance. This should include an analysis of how national-level strategies and plans, and the processes and institutions through which they are developed, are transparent, inclusive of and accountable to

[4] Governing instrument for the Green Climate Fund, Paragraph 36.
[5] Governing instrument for the Green Climate Fund, Paragraph 46.
[6] Governing instrument for the Green Climate Fund, Paragraph 47.
[7] 3/CP17, Paragraph 7.
[8] Governing instrument for the Green Climate Fund, Paragraph 71.

national parliaments and oversight bodies within them, as well as local actors and impacted communities.

- An assessment of how effective multi-stakeholder mechanisms can be designed at the country level in order to provide for effective and meaningful participation by civil society, affected communities, and small- and medium-sized enterprises.
- An assessment of how sub-national and small grants financing can be included in the Fund's operations at the country level.
- An assessment of the readiness support needed to enable effective country ownership, including setting up and/or strengthening of national institutions and processes, development of national strategies and plans consistent with social and environmental safeguards, and inclusion of civil society, vulnerable groups and communities, including indigenous peoples and women. .
- An assessment of how monitoring and evaluation can be conducted in ways that ensure country ownership, including participation in M&E by civil society and local communities.

Guiding Questions

- What are the existing models and best practices in international development and climate finance for ensuring that developing country governments are able to develop, implement and oversee national strategies and plans (involving climate and other sectors), while adhering to best-practice safeguarding systems and measures?
- Which institutions (climate-related or others) have succeeded most in achieving that goal? How can the GCF make improvements on existing practices?
- What are the options for structuring governance and financial flows that best ensure country ownership? What are options for the governance and financing relationship between national level institutions and the Adaptation and Mitigation Funding Windows, the Private Sector Facility, and any other elements of the Fund? Which elements of the GCF should provide financing to the country level?
- How can national-level strategies and plans be developed and used as the primary framework for determining priorities for adaptation and mitigation finance, including for private sector finance?
- What are options for operationalizing the 'no objection procedure'? What are additional options for ensuring that finance meets country-owned priorities?
- What role can the National Designated Authority play in developing and overseeing the implementation of national strategies and plans, including decisions concerning priorities for financing and the 'no objection procedure'? What are the options for the way in which the NDA fits into the GCF's overall structure?
- How can direct access modalities best facilitate country ownership? What role should national implementing and funding entities play? What are options for the relationship of National Designated Authorities to the national implementing entities and/or intermediaries?
- What are existing models and best practices for ensuring that civil society and local communities are an integral part of the process for developing, implementing and overseeing national strategies and plans (climate-related or others)?
- Along the same lines, what requirements might be created for National Designated Authorities, national implementing and funding entities, and other country level processes to ensure meaningful stakeholder engagement and participation, including civil society, local communities and micro-, small- and medium-sized enterprises? How can gender equity and inclusion of Indigenous Peoples be incorporated in such requirements?
- What readiness support is needed to ensure country-level capacity and enable effective country ownership, including setting up and/or strengthening of national institutions and processes, development of national strategies and plans consistent with environmental and social safeguards, and meaningful inclusion and participation of civil society and affected communities?
- What structures or governance can enable sub-national and small grants financing to be included in the GCF's financing structure at the country level? What are options for aligning this with national-level strategies, plans and institutions?
- What are ways in which monitoring and evaluation can be conducted that ensure country ownership, including participation in M&E by civil society and affected communities?
- What resources and institutional support will be provided to externally audit M&E systems, make results publically available and transparent, and allow for recourse and dispute mechanisms to apply preceding actual funding decisions?

- At which stage of project development is the involvement and endorsement of national designated authorities indispensable to ensure country ownership?

Annex XIV (d) Financial Instruments

Document Objectives

This document will provide "[a]n assessment of the range of financial instruments the Fund could utilize, their benefits and disadvantages and applicability."[9] The objective of the document is to present policy choices to stimulate open and informed debate, to enable the Board to make decisions. The documents should not seek to provide definitive answers but should present options and their implications for consideration by the Board accompanied by evidence of the impact to date of each funding model and delivery conduit.

Guiding Questions

- The Fund will focus initially on grants and concessional lending, and "employ additional financial instruments as necessary to effectively achieve the objectives of the Fund."[10] What role can additional financial instruments play? Why and at what point would such instruments become "necessary"?
- What financial instruments should be considered for use by the Fund? What are the main advantages and disadvantages of using these instruments?
- What financial instruments have proven particularly useful to contribute to a paradigm shift towards low-emission and climate-resilient development?
- Are there financial instruments that have been discussed as possibilities for use by the Fund that should be ruled out? If so, why?
- For each proposed financial instrument, assess how it meets the requirement that the Fund be "country-owned and driven."
- What criteria and standards will be put in place to ensure fiduciary, environmental, gender and social standards and safeguards, equitable allocation and a support for local economies and domestic actors, especially micro, small and medium-sized enterprises?
- Should the same financial instruments be used across all windows and facilities, or should their use be restricted to certain portions of GCF financing? If so, which ones and why?
- What risks are associated with the financial instruments being proposed, including risk of undermining public accountability and undermining provision of public goods and services?
- Which financial instruments can best contribute to meeting the adaptation needs of communities most impacted by and vulnerable to climate change?
- On what criteria and through what process will the performance of these financial instruments be measured?
- For each proposed instrument, explain how it will be consistent with the application of a transparent no-objection procedure.
- Assess each proposed instrument in relation to whether it can help to ensure that financing reaches local actors, including micro-, small- and medium-sized enterprises and local financial intermediaries.
- What legal and financial capacities, as well as operational strengths, will the Fund need to utilize the instruments and conduct adequate oversight and reporting on execution and impact?
- How will the PSF manage information disclosure and conflict of interest issues as it relates to various financial instruments?
- Will rules determining which financial instruments are used by the GCF relate to direct financing only,

[9] Decisions of the Board, Third Meeting of the Board, 13-15 March 2013, GCF/B.01-13/12, p. 29
[10] Decisions of the Board, Third Meeting of the Board, 13-15 March 2013, GCF/B.01-13/12, p. 6

or also be applied to how funds are managed by other "implementing agencies"?
- What financial instruments can best ensure direct access to GCF financing? What measures should be put in place to ensure that local micro-, small- and medium-sized enterprise can access financing, and to guarantee benefits to the most vulnerable populations, taking a gender-sensitive approach?
- What minimum institutional arrangements and enabling environments are required to incentivize and attract large-scale investment in developing countries, particularly SIDS and LDCs?

Annex XIV (e) Private Sector Facility

Document Objectives

The specific issues to be covered for the preparation of the private sector facility document include:

- Objectives, results and performance indicators of the PSF and its coherence with GCF guiding principles and objectives as stipulated in the Governing Instrument as well as funding provided by the GCF through its adaptation and mitigation funding windows.
- Taking into account the objectives and intended results of the PSF, an assessment and implications of various institutional models for the PSF, their effectiveness and accountability in realising the implementation of multilateral agreements similar to the UNFCCC and providing global, national and local public goods. This could make reference to existing models in use by national, regional and international funds, as well as considering potential improvements upon existing practice.
- An assessment and implications of models for the delivery of the private resources including direct, indirect or a combination to effectively and equitably reach sub-national and local, including non-government, climate finance beneficiaries.
- An assessment and implications of the financial instruments that can be utilized at the behest of National Designated Authorities to support domestic private sector actors.
- Complementarity of the PSF with other channels of climate finance. This should bear in mind the Copenhagen and Cancun decisions that the GCF would become the main vehicle for multilateral support for adaptation, and that the new architecture for climate finance may require changes to other funds rather than the other way around.
- Options for operationalizing a no-objection procedure to be conducted through national designated authorities that builds and supports country ownership and environmental integrity that is comprehensive in scope and effective in implementation at national, sub-national, and community levels.
- An assessment, based on the experience of existing funds such as the PPCR, of the implication of private sector engagement on country ownership (and vice versa).

This document should be written with the understanding that the private sector facility will promote the participation of private sector actors in developing countries, in particular local actors, including micro, small and medium-sized enterprises and local financial intermediaries. The facility will also support activities to enable private-sector involvement in SIDS and LDCs. The operation of the facility will be consistent with a country-driven and owned approach, as stressed at the March Board meeting.

Guiding Questions

Objectives, results and performance indicators of the PSF

- How will the PSF contribute to meeting the adaptation needs of communities most impacted by and vulnerable to climate change in a gender-sensitive way? How will those objectives and anticipated results support decentralized/distributed renewable energy access, energy and resource efficiency, and other necessary shifts away from a fossil fuel-based development paradigm?

- How will PSF indicators of success reflect growth in the number and/or scope of domestic clean energy and climate-related enterprises, in both the formal and informal economy? How will performance indicators take into account support for the role of public institutions and infrastructure?
- How will the performance indicators measure achievement or advancement of stated goals and objectives of nationally-driven and owned climate and development strategies? How will performance indicators reflect the ability of the PSF to meet the gender-differentiated needs of local populations effected by PSF-supported activities? How will performance indicators measure how and whether specific financial intermediaries and instruments were used appropriately?
- How will PSF contribute to the aggregation of local, subnational and national activities to bring adaptation and mitigation action "to scale?"

Implications of institutional models of the PSF

- What are the institutional models for the PSF that ensure coherence in standards, practices and safeguards with the overall GCF, its guiding principles and objectives, and other funding windows? How will the PSF be held accountable to the GCF Board?
- How will the no-objection procedure be operationalized at the national and GCF levels? How will national multi-stakeholder mechanisms be involved in implementing the no-objection procedure? What other models of 'no-objection' procedures are relevant, including pro-active 'endorsement' procedures?
- What legal and financial capacities, as well as operational strengths, will the PSF/the Fund need to carry out the instruments and conduct adequate oversight and reporting on execution?
- How will the PSF manage information disclosure and conflict of interest issues as it relates to private investments? How will it ensure that accountability for public financing is not undermined by private sector demands to protect "proprietary information"? What structural and legal structures will the PSF need to maximize transparency and accountability, including operational links with National Designated Authorities?
- How will country ownership be addressed for PSF supported activities? What will be the fit between PSF supported activities and country planning processes?
- What provisions will be put in place to ensure the participation of private sector actors in developing countries in a gender-sensitive way, in particular local actors, including micro-, small- and medium-sized enterprises in both the formal and informal economy, and local financial intermediaries? What measures will be in place to enhance private sector involvement in SIDS and LDCs?
- How will the PSF ensure accountability to the Board of the GCF and to the COP? How will accountability to all recipient countries and stakeholders be ensured?

Instruments and access modalities:

- How will the PSF articulate with the other financing modalities of the Fund for funding mitigation and adaptation activities?
- How will direct access under the PSF be defined and operationalized? What measures should be put in place to ensure effective gender-sensitive access to local micro-, small- and medium-sized enterprise in both the formal and informal economy, and guarantee benefits to the most vulnerable populations?
- What financial instruments will the PSF employ for approving direct and indirect funding to private sector players?
- What criteria and standards will be put in place to ensure fiduciary, environmental, gender and social standards and safeguards, equitable allocation and a support for local economies and domestic actors, especially micro, small and medium-sized enterprises?
- How would the PSF effectively mobilize national private sector actors in developing countries, especially in LDCs and SIDS?
- Will readiness support for local industry and other grant-funded activities be managed through the PSF or through the windows (e.g., capacity building, TA, project development support)? How is coherence ensured for support for local industry and grant-funded activities being managed through the PSF and other windows?
- What will the project cycle look like? How would the PSF policies and procedures be different from public sector operations? How would coherence be ensured between PSF policies and public sector operations?

Annex XIV (f) Access

Background and Document Objectives

The following elements have been defined as areas of research by the Board:

1. *Assessment of best practice modalities in other multilateral funds, including direct and international access, and their availability across different funding programmes; and*
2. *Review of eligibility for accessing resources and accreditation procedures in other funds.*

In addressing these issues of access, the Business Model Framework of the GCF should take into account, *inter alia*, the following elements of the Governing Instrument. The outcomes of the research will need to present options on how to operationalize these principles. These sections provide key *assessment criteria* for the various options for access modalities, notably 1) country-drivenness, 2) effective involvement of national, subnational and local institutions and stakeholders in providing input, 3) enhanced direct access.

- In the section stating the objectives and guiding principles of the GCF:
  "The Fund will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders." (Art.3)
- The Governing Instrument for the Green Climate Fund explicitly includes the commitment to:
  "*Provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects*" (Art.31)
- The GI also provides guidance acknowledging the need for national coordination:
  "*Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes.*" (Art.46).[11]
- It thus refers to consultation processes while also leaving open the possibility of working through sub-national entities:
  "*Recipient countries will nominate competent sub-national, national and regional implementing entities for accreditation to receive funding. The Board will consider additional modalities that further enhance direct access, including through funding entities with a view of enhancing country ownership of projects and programmes."* (Art.47)[12]
  The Board will develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund. (Art.71)

In preparing this document, the consultant should conduct a review of existing literature[13] and conduct in-depth interviews with relevant stakeholders, including experts from other multilateral funds, academics, experts from northern and southern NGOs and civil society groups, and Southern national and subnational governments.

[11] Green Climate Fund. report of the Transitional Committee Draft decision -/CP.17, http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cop17_gcf.pdf

[12] Ibid.

[13] For example: *Owning Adaptation*, Oxfam, 2011, http://www.oxfam.org/sites/www.oxfam.org/files/bp146-owning-adaptation-130611-en.pdf; *Reaching Local Actors in Climate Finance*, Both ENDS, 2013, http://www.bothends.org/nl/Publicaties/document/94/Reaching-Local-Actors-in-Climate-Finance; *A Delhi Vision for the Green Climate Fund Business Model Framework – Some thoughts on Access and Disbursement*, Benito Mueller, 2013, http://www.oxfordenergy.org/2013/02/a-delhi-vision-for-the-green-climate-fund-business-model-framework-some-thoughts-on-access-and-disbursement/

Guiding Questions

- What can we learn from other multilateral funds and national climate funds and research already available in relation to access modalities? What are the best practice, pitfalls and lessons learnt? Other funds to be considered should include the Global Fund to Fight Aids, Tuberculosis, and Malaria; the Adaptation Fund; the Global Environment Facility, including its Small Grants Programme (SGP); emerging national climate funds such as in Bangladesh, Brazil and the Philippines; and the Multilateral Fund of the Montreal Protocol.

"Best Practice" Modalities:

- Which access modalities promote country ownership and inclusive decision-making and to which extent? What are the options for providing direct access to subnational and national implementing and funding entities? Country ownership (as stated in Art. 3 in the Governing Instrument) means ownership of a broad range of stakeholders, including sub-national and non-state actors.
- Which "best practice" modalities are effective, and to what extent, in terms of a) reaching those most vulnerable to climate change impacts, including by applying a gender-sensitive approach; b) supporting low-carbon energy sources and particularly community-based solutions to climate change mitigation that have clear benefits for the poor; and c) promoting compliance with social and environmental safeguards?
- Which modalities support long-term sustainability of investments, and to what extent, including the need/opportunity to make early investments in capacity-building of national and subnational institutions and multi-stakeholder decision-making structures with participation of civil society and particular engagement of vulnerable groups and communities, including indigenous peoples and women? (see also articles 35 and 38 of the Governing Instrument[14])?
- To what extent should institutional arrangements be shaped within developing countries to tackle simplified and improved and enhanced direct access? What options and strategies exist to assist developing countries, especially LDCs and SIDS, to set up and strengthen institutions with the view of meeting the standards and safeguards of the GCF?

Innovative Access Modalities

- What innovative access modalities meet the ambition of the Governing Instrument?[15] How can existing (best) practices be improved and built upon? Where can the GCF shape new forms of access modalities that better guarantee achievement of results, country ownership, and broad stakeholder input and participation than existing modalities do?
- How should the various options for access modalities be considered in the overall structure of the Fund, so that these can be studied simultaneously with the other elements of the BMF research, including the Private Sector Facility? What are the implications of direct access for the entire structure of the GCF?[16]

Operationalization of Access Modalities:

- How do access modalities relate to different types of financial instrument, types of activities and types of countries?

[14] "*The Fund will finance agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries*" (Art.35); and "*The Board shall also ensure adequate resources for capacity-building and technology development and transfer.*" (Art. 38)

[15] "*The Board will consider additional modalities that further enhance direct access, including through funding entities with a view of enhancing country ownership of projects and programmes.*" (Art. 47)

[16] See, for example, the different organograms as part of the submissions by Oxfam and the UK Board member.

- How will direct access under the Fund be defined and operationalized? Will there be one definition or will there be a range of ways for countries to access finance?
- What kind of national institutions are needed to facilitate national implementation and execution?
- Will the Fund or national entities be directly responsible for oversight, monitoring and reporting of grant and/or concessional lending?
- Will the GCF's funding be made available to assist countries in the process of establishing national implementing entities and to assist in the accreditation process?

Annex XV (a) Financial Inputs

Document Objectives

The specific issues to be covered for the preparation of the financial inputs document include:

- An assessment of the different financial inputs received by other funds, and in particular those of multilateral agreements similar to the UNFCCC and providing global, national and local public goods, their benefits and disadvantages and applicability;
- As assessment of the implications of different financial inputs on the financing instruments and delivery mechanisms that can be employed by the fund;
- An assessment of the complementarity of financial inputs to the GCF with other channels of climate finance. This should bear in mind the Copenhagen and Cancun decisions that the GCF would become the main vehicle for multilateral support for adaptation.

This document should reflect convergence at the March Board meeting that the Fund will initially focus on grants and concessional lending, and that the business model will enhance transparency and accountability. Modes for financial inputs will be consistent with a developing country-driven and owned approach, also stressed at the March Board meeting.

The consultancy must have expertise of experiences and lessons learned in the history of development and climate finance. Consultants should be grounded in the fundamental importance of public finance as the core of the GCF resources and understand that the starting point for proposing appropriate financial inputs is how to effectively meet the adaptation and mitigation needs of lower-income countries and marginalized and vulnerable communities and peoples in all developing countries.

Guiding Questions

Assessment and implications of various financial inputs

- What forms of contributions (e.g. grants, concessional loans, capital contributions) should the Fund be open to?
- How will each of these forms of contributions be consistent with the UNFCCC and its relevant decisions and the GCF's Governing Instrument?
- What types of financial inputs will best meet the aims and objectives of the GCF, including renewable energy, public transportation, low-carbon industry, adaptation, climate resilience, and sustainable agriculture activities?
- How will the GCF maximize financial inputs from alternative public sources, such as financial transaction taxes, special drawing rights, aviation and/or shipping levies with no net incidence on developing countries, and so on? How will the Fund mobilize significant amounts of funding from other sources, and what innovative financial mechanisms or incentives be should be considered?
- What impact will different forms of contributions have on the fund's operations?
- How would financial inputs from capital markets and other private sector sources impact upon the

overall financing options of the GCF? What financial, operational and reputational risks would inputs from these sources entail for the GCF and recipients?
- What are the implications for the Fund's ability to utilize grants, concessional loans and other financial instruments that may or may not create debt? What are the implications for the Fund's ability to support mitigation and adaptation programs, policies and activities? What are the implications for the Fund's ability to deliver financing through various structures such as a small grants window or facility or the Private Sector Facility?
- What will be the implications of various forms of financial inputs on accountability and transparency, and a country-driven and owned approach? How will various forms of financial inputs impact direct access?
- How will country ownership be impacted if financial inputs are earmarked to specific types of activities, windows, programs, etc.?

Structural considerations of financial inputs
- What legal and financial capacities will the GCF need to receive financial inputs from non-governmental public sources? What legal structures will the GCF need to maximize transparency and accountability?
- How will the GCF operationalize standardized, consistent and transparent reporting of inputs, from public, private and alternative sources, including distinctions between inputs pledged and delivered?
- How will the GCF ensure accountability to the Board, the COP, recipient countries and stakeholders on issues related to financial inputs?
- How will the GCF manage information disclosure and conflict of interest issues as it relates to financial inputs?

Other
- How will financial inputs be utilized to support readiness and preparatory activities? Will the Fund need to develop a timeline to project mobilization of resources?
- How will the GCF assess the climate finance needs of recipient countries to ensure that inputs match the level of demand for financing?

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