

Difficult Decisions – Deferred?

The 4th Green Climate Fund Board Meeting wrestles with the Fund's Business Model and selects its new Executive Director

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Published by the Heinrich Böll Stiftung

Washington, D.C., August 2013

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Design: Anna Liesa Fero

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When the Board of the Green Climate Fund (GCF) met for its fourth meeting from June 25 – June 28, 2013 in Songdo, South Korea, the Co-Chairs requested that the 24-member body take some ambitious decisions on how the GCF will conduct its business in order to push for the paradigm shift toward low-emission, climate-resilient, sustainable and gender-sensitive development in developing countries mandated by its Governing Instrument. The discourse on the Business Model Framework (BMF) for the Fund – the constituent building blocks of policies, guidelines, and organizational structure of facilities, windows and units to operationalize the Fund – dominated the Songdo meeting, including a whole-day of informal discussions on June 25th. A key question to address and a point of contention was the question of what role the private sector will play in contributing to that shift and what the mandated Private Sector Facility should look like. The Board struggled with the unavoidable tension between urgency to “get on with it” and show results (as a prerequisite that developed countries have reiterated repeatedly to even start talking about the initial resource mobilization for the Fund) and “getting it right” (to rationalize the existing climate finance architecture, fill delivery gaps and secure the GCF as the global community’s main multilateral climate funding mechanism for decades to come). The latter involves dealing with existing fundamental differences on the vision for and the purpose of the Fund, consensus and trust building efforts as well as acknowledging and addressing definitional uncertainties and knowledge gaps among Board members in order to advance toward consensus decisions. In Songdo, this tension could at times only be resolved by requesting additional background materials and by deferring controversial decisions for resolution at future Board meetings.

One crucial decision – and the key accomplishment by the Board in Songdo – was the selection of Heda Cheikhrouhou of the African Development Bank as the new Executive Director for the Fund’s Independent Secretariat. The new GCF Executive Director will have to oversee as one of her first tasks the move of the current GCF Interim Secretariat from Bonn to Songdo and its scaled-up reconstitution as permanent Independent Secretariat before the end of this year.

Several agenda items up for decision in Songdo addressed the transparency and accountability of the GCF and its Board, including the Fund’s information disclosure, further work on a communication strategy, a competition to design a logo for the Fund, as well as voting rules for the Board. Unfortunately, in Songdo the GCF Board failed to meet, let alone surpass, existing international best practice in terms of transparency by deciding to not allow for web-casting of its proceedings. Lastly, the Board postponed to its next meeting (the last of this year) its decision on the relationship of the Fund, which is an operating entity of the financial mechanism of the UN Framework Convention on Climate change (UNFCCC), with the Convention’s Conference of Parties (COP), to whom the GCF is accountable. The GCF Board will wait for the draft arrangements on the relationship from the Convention’s Standing Committee on Finance (SCF), which was tasked jointly with the GCF Board by COP 18 to finalize the arrangements before COP 19 in November in Warsaw. The SCF hopes to conclude the arrangements at its upcoming August meeting and forward its recommendations to the GCF Board. The Fund’s Board will consider them at its next meeting, from October 7 – 10 in Paris, France.

The opening of the formal Board meeting began with the adoption of the agenda and the meeting report of the third GCF Board meeting and the Board taking note of activity reports of the Co-Chairs and the Interim Secretariat, particularly the challenges the Interim Secretariat faces in preparing the necessary documentation for Board meetings with still limited staff (nine full-time staff and five full time consultants).¹ It followed a day of informal discussions among Board members, alternates and advisors, and private sector and civil society active observers on June 25th on key policies for the Business Model Framework (BMF) of the Fund.² As in Berlin, this workshop before the official Board meeting was supposed to address existing controversies and disagreements among Board members regarding the objectives and structure of the Fund and the policies, guidelines, indicators and results frameworks it needs to develop in order to best operationalize the vision of the GCF. That is, to promote, “[i]n the context of sustainable development, ... the paradigm shift towards low-emission and climate resilient development pathways”³ 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.”⁴

In Songdo, perhaps contrary to what the Co-Chairs had hoped, the informal workshop served less to rally Board members around points of agreement or convergence in preparing for Board decisions over the next few days, but rather fulfilled a more basic need by providing several hours of time for discussion for quite complex and contentious issues among Board members (for a list of GCF Board members and alternates see Annex I). With a choke-full agenda and a number of important decisions crammed into the three-day Board meeting, such time for exchange was in short supply, as evidenced by the fact that several agenda items received little Board attention and were basically “gaveled through”. Unfortunately, active observer participation also fell victim to the ambitious agenda to the detriment of the GCF transparency and accountability, with the two civil society and two private sector active observers only being recognized to make interventions during the informal workshop and the first half of the Board meeting, but not being given the floor to intercede in significant parts of the BMF discourse, including on country ownership, access modalities or the discussion about the Fund’s information disclosure policy. The time-pressure for the Board was worsened by two lengthy closed executive Board sessions, one lasting for two hours during the informal session with another lasting for more than half of the first day of the GCF Board meeting, which were devoted to interviewing the three final candidates for the new Executive Director of the GCF Independent Secretariat and then selecting Hela Cheikhrouhou of the African Development Bank.

Establishment of the Independent Secretariat

Selection of the Executive Director

At the second Board meeting in Songdo in October 2012, the Board established an Executive Director Selection Committee (including members of Sweden, Mexico, Egypt, Belize, Russia and chaired by Germany), and authorized up to US\$ 200,000 for the search for a new Executive Director, including through the use of an executive search firm, which was contracted in Spring 2013 to help narrow down the number of applications. At the Berlin Board meeting in March, Board members finalized the selection criteria for the position, indicating that they were looking for a candidate with “intellectual leadership” and possessing knowledge and experience of climate change, development and/or financial issues and their inter-relationship, and experience working in or with developing countries. Post-Berlin, the job announcement was posted on the GCF website in addition to active outreach efforts and candidates proposed by Board members, with applications accepted until the end of April. Applications were whittled down via several rounds to a short list of seven to be interviewed by the Selection Committee, which convened on a weekly basis 22 times. Based on these interviews, the Selection Committee in Songdo presented a final group of three applicants without ranking to the Board in early June.

In Songdo, the Board met the three candidates, two men and one woman, in an informal closed session on the morning of June 25th to hear directly from them about their vision in guiding the Fund. Board members had agreed on a set of questions in advance. Apparently, however, Board members repeatedly veered “from the script” and asked further, more probing questions. The Board then took more than half

of the first day of the formal Board meeting in closed executive session (with only Board members and alternates, and no advisers or observers allowed) to agree on a decision-making process (presumably by rounds of voting) and to make its decision. During this time, the three candidates (whose identity was not formally disclosed) – a Tunisian woman from the African Development Bank (AfDB), a Columbian man from the Inter-American Development Bank (IDB) and a Dutch man formerly in a leading position at the European Climate Foundation – were called in individually for additional questioning by Board members. After several hours, Ms. Cheikhrouhou from the IDB emerged as the Board's choice, with some Board members saying privately that she had impressed the Board with her vision and her responses to the Board's extensive questioning. Her selection by the Board was presented as a consensus choice.⁵

Ms. Cheikhrouhou, a Tunisian national, is currently Director of the Energy, Environment and Climate Change Department at the African Development Bank, where she has taken a lead in scaling up the Bank's green growth and climate resilient investments. Several developing country Board members expressed satisfaction in having "one of their own" selected to lead the GCF. Her background with the AfDB also suggests familiarity with the climate woes of some of the poorest countries and regions worst affected by ongoing climate change and thus a support for climate action, including strong action on adaptation in a way to promote economic and social development. For many developed country Board members who see a strong Private Sector Facility as the key to a successful GCF, Ms. Cheikhrouhou's experience at the AfDB in blending public and private finance in project finance activities across Africa and her career start in the private sector as an investment banker with Citibank, where she was responsible for market risk management in North Africa, might have been the qualifications most prized.

From a gender perspective and in supporting the importance of gender responsiveness of climate finance mechanisms, it is certainly more than a side note that with Ms. Cheikhrouhou's selection now the secretariats of the UNFCCC as well as of the two financial entities under the Convention's Financial Mechanism, the GCF and the GEF, as well as the Secretariat of the Kyoto Protocol Adaptation Fund are headed by women. It would be great to have this leadership coincide with the implementation of a gender-sensitive approach in all of the Convention's financial instruments. For the GCF, gender advocates are hopeful that the personal cultural experience of Ms. Cheikhrouhou will help her in guiding and leading a GCF Independent Secretariat, where not only the gender-balance of the staff is taken into account (as mandated by para. 21 of the Governing Instrument), but its gender-expertise and its ability to support the gender-responsive implementation of GCF projects and programs are promoted and strengthened.

As the new GCF ED, Ms. Cheikhrouhou, who is expected to start in September in order to help prepare the next Board meeting in October, will have to hit the floor running. Her immediate task will be to prepare the move of the Secretariat of the Fund from its interim position in Bonn to its permanent seat in Songdo, South Korea before the end of the year, as mandated by the Durban decision on the GCF, as well as to take charge of increasing the staff of the Secretariat from its current interim level (with staff mostly seconded from the UNFCCC and GEF Secretariats) to the level of support and expertise needed to implement the Board's work plan for the speedy operationalization of the Fund. To be successful in her role of "GCF Fundraiser-in-Chief", the new ED will also need to start building good relationships, especially with developed country governments, by carefully preparing through diplomacy the time-line for and conduct of the Fund's initial resource mobilization, for example via a pledge meeting or conference, most likely to happen in the Fall of 2014.

Administrative Policies and Procedures of the Independent Secretariat⁶

The proposed administrative policies and procedures of the Independent Secretariat, which the new Executive Director will have to establish under a tight deadline, were already discussed at the GCF Board meeting in Berlin in March. An options document presented then basically outlined three alternatives: 1) follow 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) follow 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 (ADB), which is competitive in the region but includes more staff family benefits and support than regular MDB administrative policies. At issue were also the immunities and privileges

that the GCF would provide to its Secretariat staff. Developed country members mostly argued for the MDB approach and bank salaries, noting that competitive salaries were needed to get the Fund-relevant financial expertise, while many developing country members noted that the GCF as a UN fund should follow the UN common approach. 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. In Berlin, the Board decided to look further into a hybrid model that would marry elements of ADB practice with the administrative framework of the International Fund for Agricultural Development (IFAD) which is, like the GCF, an international Fund within the UN system (supporting the Food and Agriculture Organisation and the World Food Programme).

For Songdo, a Board paper elaborated on the Berlin decision by recommending for approval a GCF administrative framework that will establish privileges and immunities for the Fund's staff with reference to those provided to the International Fund for Agricultural Development and other international financial institutions, and will base the Fund's administrative policies, including for human resources, procurement, travel and finance, on those used by the Asian Development Bank. In the discussion, one Board member worried in particular that the hybrid model might not be implementable, with another one pointing out that the administrative human resource policies suggested assumed old-fashioned family structures following largely traditional gender roles, which would not do for a 21st century fund. Several Board members were worried that a completely new system would have to be set up and warned of possible time-delays. The Interim Secretariat clarified that ADB and IFAD and other practices will be adopted to specific GCF needs and that the Independent Secretariat might seek organizational support from another institution, for example for payroll, being mindful of avoiding any potential conflict of interest (for example ensuring that the service provider is not also an implementing entity for the GCF). The Board approved the hybrid option to be largely adopted from existing ADB and IFAD policies and requested the Interim Secretariat to start work on the GCF administrative policies and to report back on progress at its next Board meeting in October. The Interim Secretariat is also tasked to seek administrative support from another organization to facilitate the transition of the Interim to the Independent Secretariat, to be approved by the Board in October.

Business Model Framework

At the second GCF Board Meeting in Songdo in October 2012, the Board had established a team of six Board members (from France, the UK, Barbados, Norway and DRC, with Columbia chairing) to facilitate the preparation of documents on a Business Model Framework (BMF) for the Fund, with the Co-Chairs and the team of six to provide "quality control" on the preparation of these Board documents. The BMF papers are to cover the main constituent elements determining how the vision of the Fund as outlined in the Governing Instrument's section on objectives and guiding principles (paras. 1-3) will be operationalized. At the last Board meeting in Berlin in March, the Board approved the resources (up to US\$ 600,000) and tasked the Interim Secretariat, the BMF team and the Co-Chairs and/or consultants to carry out 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 October Board meeting.⁷

For the June meeting, six papers were prepared by either consultants or the Interim Secretariat (although the consultant's name and background was not disclosed). While draft versions were not shared with the public and no outreach or consultation efforts were made to solicit the opinions of stakeholders, they were made available in their finalized forms on the GCF website in advance of the June meeting. These six papers were intended to present policy choices and design options for the Fund 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) assessment of best practice access modalities, including direct and international access, and eligibility and accreditation procedures, drawing on experiences of other multilateral funds; 4) the range of financial instruments the Fund could utilize, 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) structure and organization of the Fund assessing currently existing multilateral instruments.

For the next GCF Board meeting in early October in Paris, three additional papers on elements of the GCF BMF are 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.

In a repeat of criticism voiced in Berlin, in Songdo some Board members expressed their dissatisfaction with the process of decision-making on the GCF business model elements based on prepared BMF papers, complaining firstly that the process was not transparent and it wasn't clear who (the consultants, the Interim Secretariat or the Co-Chairs) shaped the ultimate version of the recommendations and choices presented (and other options omitted) for decision by the Board members; secondly, that the papers, a number of them very complex, arrived too late for Board members to reflect on and to prepare for the meeting; and thirdly that they were written without any input or specific guidance from Board members on their terms of reference. A number of Board members regretted that there was no overarching paper addressing the BMF comprehensively as was originally proposed and that several issues – for example country ownership and access modalities – should have been discussed together, and not as separate issues. Especially developing country Board members felt that the issue of resource mobilization – addressed outside of the BMF framework discourse as an independent agenda item and not on the agenda in Songdo – was really “the other side of the BMF coin” and should therefore be considered as an integral part of the GCF business model discourse.

Objectives, Results and Performance Indicators⁸

The paper prepared for the Songdo Board Meeting on objectives, results and performance indicators was intended to give Board members the necessary information to allow them to make decisions on the objectives of the Fund and the results the Fund aims to achieve by elaborating some of the design considerations and possible trade-offs between short-term and long-term opportunities and priorities, the need to avoid lock in and for a consideration of capacity building and readiness activities accompanying GCF investments to support broad systemic change in recipient countries.

Several Board members praised the focus of the paper as the core of elaborating the Fund's vision and urged to concentrate on the steps necessary to achieve a paradigm shift through the GCF by providing transformative approaches to access modalities, resource mobilization and policy support beyond what existing climate finance instruments provide. Other Board members found the paper too complex and choices given to be either premature – as in the case of priority results areas for adaptation and mitigation and detailed performance indicators – or presented as an artificial choice or false dichotomy. A group of Board members from both developed and developing countries, for example, pointed out that while the Fund is not supposed to be a development fund, GCF funding will of course have to maximize development and other co-benefits (via what the paper termed a “multiple benefits approach”) recognizing that national climate action cannot be separated from the sustainable development context and is more likely to receive developing countries' political and implementation support if it does. A multiple benefits approach to GCF funding, as one Board member explicitly pointed out, would have to include gender-sensitivity, with gender dimensions being systematically addressed in all BMF areas, not treated as an add-on, including specifically in designing performance indicators and monitoring and evaluation frameworks.

In Songdo, the Board was asked to decide on priority results areas of the Fund for mitigation, adaptation and cross-sectoral support with a concrete set of such results areas suggested as annex to the Board paper. Options presented for mitigation covered both large-scale and small scale sector-wide and household level interventions, such as reducing energy use from buildings and appliances, energy access for households to low-carbon modern energy sources, as well as supporting the reduction of emissions from energy-intensive industrial production or agriculture and land use management (including REDD+ implementation). Cross-sectoral options presented focused on sustainable cities and sustainable management of forests. The options under adaptation priority results areas ranged from narrow (support for some flagship or limited sector areas) to wide (across the full range of adaptation result areas), including a focus on scaling up community-based adaptation efforts. In the discussion, several Board

members felt that a decision on priority result areas would need more technical work and expressed their inability to make such a decision in Songdo. While some Board members thought that the possible result areas were too sector-focused and with too little attention to policy transformation, several developing country Board members worried that the choices presented were both too narrow and too prescriptive and thus could undermine national policy choices and priority-setting by recipient countries as well as their access to the Fund's resources. They objected to any decision referring to an "indicative" or "initial" list of priority areas, such as in the paper's annex, which, on the other hand, most developed country Board members saw as a sign of progress on the BMF. A number of developed country Board members urged to at least agree with progressing towards a list of results areas, mindful that, in the words of one developed country Board member, there "could never be a final list" and that such a list could "never preempt financing." When the Board could not find consensus on priority results areas, it decided instead only "to consider further the initial results areas of the Fund, with an aim to achieve substantial progress" at the Board's next meeting in October,⁹ with several developed country Board members expressing disappointment and one questioning the political will of the Board to make hard decisions. It will not be until its second meeting in 2014 that the Board will try to come to decisions on the expected impacts and the role the Fund is to play in these initial result areas.

The Board's future decision on priority result areas of course has implications for the performance indicators the Board will select. In Songdo, Board members were asked to try to find agreement on the Board's preferred indicators, with a range of indicators suggested in the Board paper. A number of Board members, both from developed and developing countries, professed unease with selecting performance indicators at this stage, with some indicating that doing so would entail a lot more technical specifications than the Board was currently prepared to handle and proposing instead to focus on formulating simple guidelines for performance indicators. Such further work is particularly important to allow for performance indicators to measure multiple benefits of GCF financing, including for poverty reduction, gender equality impacts or non-climate environmental benefits, as a developing country Board member pointed out with reference to the difficulties in developing an easy yardstick for measuring adaptation performance especially. Other developing country Board members urged to extend performance indicators for the Fund also to areas such as availability and delivery of resources (are they new, additional, adequate and predictable?) as well as the quality of knowledge and technology transfer. Several developing country Board members also warned that a pre-selection of performance indicators in the GCF context at this point could undermine ongoing negotiations in the UNFCCC subsidiary bodies for indicators on monitoring, reporting and verification (MRV) of emissions reductions, a view that was rejected by several developed country Board members pointing out that the indicators suggested were based on the experience of, for example, GEF funds and were thus neutral with respect to ongoing MRV negotiations at the UNFCCC.

The GCF Board will consider core performance indicators for the Fund at its next Board meeting in October mindful that this has to be part of an iterative process to be handled with some flexibility (to allow for country circumstances) and to evolve with the Fund. It will then also decide on the outlines of a GCF results measurement framework and allocation framework, both of which have to be aligned with the Fund's core performance indicators.

Country Ownership¹⁰

At its Berlin Board meeting, the Board agreed that "a country driven approach is a core principle to build the business model of the Fund." The GCF Governing Instrument points to national designated authorities (NDAs), to be selected by recipient countries, as the structural "guarantor" of country ownership by ensuring consistency with national climate strategies and plans. The Durban decision on the GCF also mandated the Board to elaborate a no-objection-procedure that would allow countries to object to any public or private sector funding proposal inconsistent with recipient country priorities.

For Songdo, the Board paper on country ownership elaborated experiences and best practices of existing funds with respect to a number of key responsibilities that NDAs will have to take on, namely program oversight, country programming, coherence with national plans and country-level coordination, designation of implementing entities (IEs) and approval of funding-requests and no-objection procedures. It then discussed two basic options for NDAs, to be applied either concurrently or consecutively. The first

was proposed as a centralized, basic model where the NDA would essentially be a central clearing-house for proposals assessed against national strategies, would not generate its own funding proposals and would have a limited consultative outreach and multi-stakeholder engagement structure. The second was portrayed as a more decentralized, expanded model, where the NDA would coordinate funding requests, assume oversight responsibilities and select implementers through a decision-making process and structure that would involve multiple stakeholders.

In Songdo, the Board focused mainly on the central role of NDAs for ensuring country ownership of Fund decisions. Board members disagreed on whether the establishment of an NDA should be optional or mandatory, with some developing country Board members demanding that all countries should designate an NDA, ideally as an institutionalized interface of all country-GCF communication and interactions, with other Board members, including from SIDS and developed countries, urging to give countries more flexibility in the way they interact with the GCF and include the option of a GCF focal point (similar to how the GEF currently communicates with recipient countries), given the difficulty some countries might have in designating an appropriate domestic institution. Some developed country Board members also wanted to ensure the ability of private sector and international organizations to interact with the Fund directly, with some developing countries pointing to the hierarchical differences between countries, the private sector and international organizations and arguing that this should only be possible with the concurrence of national governments through the no-objection procedure. SIDS and LDC Board representatives particularly wanted to ensure that the GCF provides readiness and preparatory support to NDAs and focal points as a way to enhance country-ownership, especially as these are asked to fulfill a number of important functions. While Board members agreed on the role of an NDA or focal point to recommend to the Board funding proposals and ensure their consistency with national climate change plans and strategies, including through the implementation of the no-objection procedures, there was no uniform understanding or agreement on other possible function, for example on their future role in monitoring and supervision of GCF project and program implementation or their ability to not only recommend but also develop proposals for funding through the GCF.

In Songdo, Board members also disagreed on whether the Board should prescribe the engagement of national and sub-national stakeholders in the development (and possible implementation) of GCF funding proposals as a core function of the NDAs or focal points or give them flexibility on how they operate and are governed. Some developing country Board members argued that while stakeholder involvement is necessary, the country as the sovereign should be able to decide in what form to engage them domestically, pointing out that there is a wide variety in national decision-making systems in developing countries. In contrast, a number of mostly developed country Board members were advocating for a decision that would explicitly mandate recipient country stakeholder engagement and involvement as a function of NDAs and focal points.

The importance of effective multi-stakeholder engagement for the realization of a country-driven approach is highlighted (para.3) in the Governing Instrument, and the GCF is asked to “encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects” (para. 31). The paper for Board discussion and decision highlighted the central role of multi-stakeholder engagement in ensuring country ownership beyond national governments. The paper discussed experiences of existing funds with multi-stakeholder engagement, although a number of them, for example the annual partnership forum employed by the World Bank’s Climate Investment Funds (CIFs), fall short of what many stakeholder representatives would consider meaningful and consistent involvement and participation “in the design, development and implementation of the strategies and activities to be financed by the Fund” (Governing Instrument, para. 71). The Global Fund for Aids, Tuberculosis and Malaria in contrast explicitly ties funding eligibility to transparent stakeholder engagement processes and gives non-governmental groups decision-making power in its Country Coordinating Mechanisms (CCMs), the functional equivalent of the GCF NDAs.

The Songdo decision on country-ownership¹¹ reaffirms country-ownership and a country-driven approach as core principles of the Fund and gives countries the option (“may designate”) to nominate an NDA or a country focal point, stipulating that countries should have flexibility with respect to the location, structure, operation and governance of NDAs and focal points. Best practices for their establishment and composition will be addressed at the Board’s first meeting in 2014 and the GCF Secretariat is requested to prepare the call for developing countries to start the process of designating them as early as possible

and ideally before June 2014 (presumably in time for the 2nd GCF Board meeting next year). While the Board did not explicitly stipulate stakeholder engagement and participation as a core function of the NDA or focal point, the Songdo decision demands that NDAs or focal points will “recommend to the Board funding proposals in the context of national climate change strategies and plans, including through consultation processes”. As the decision also proposes for the Board to consider at its first meeting in 2014 best practice options for country coordination and multi-stakeholder engagement, “including in the context of the development of funding proposals”, the Songdo agreement left the door open to ensure strengthened language on meaningful stakeholder engagement as a functional determinant for country ownership with respect to funding and implementing GCF projects and programs via future Board decisions.

Access Modalities¹²

The GCF Governing Instrument provides specific guidance on access modalities. It stipulates that the GCF will provide simplified and improved access to funding, including direct access, under a country-driven approach that will encourage the involvement of all relevant stakeholders, including vulnerable groups and addressing gender aspects (para.31). Access will be through implementing entities (para. 40) for which an accreditation process needs to be established (para.49) -- for direct access via sub-national, national or regional level entities and with the option of enhancing direct access (para 47), and for international access through UN agencies, MDBs, international financial institutions and regional institutions (para. 48). A national designated authority will guarantee that funding proposals are in line with recipient countries’ own strategies and plans (paras. 45 and 46).

The Board member discussion in Songdo on access modalities proved to be one of the most heated discourses of the 4th GCF Board meeting and was conducted over several days leading to multiple text versions for the draft decision with a contentious give-and-take on key text passages. The majority of developing country Board members viewed a forward-looking outcome on this decision, particularly through the inclusion of a reference to a set of modalities to improve or enhance existing direct access practices and a tight time-frame to develop these modalities, as the key to the GCF Business Model Framework and as a necessary counterweight to developed country Board members’ pressure for an ambitious GCF Private Sector Facility.

In many ways, this was a repeat of some fundamental disagreements between most developed and developing country board members on the prioritization of developing countries’ access to GCF funding that had already characterized the discourse on this issue at the 3rd GCF Board meeting in Berlin. In Berlin, while Board members agreed on a country-driven approach as a core principle for the BMF and noted this as an area of convergence, there was no consensus on including a reference to decentralization or devolution of GCF financing to the national level, which developing countries have strongly argued in favor of. Whereas most developing country members emphasized direct access as a primary expression of country ownership and urged a prioritization of this access modality, including enhancing direct access opportunities, most developed country Board members argued that direct access, while important, was only one of several possible access modalities, with existing best practice experiences for access via international organizations such as UN agencies or MDBs.

Indeed, direct access modalities, in which implementing functions are devolved to designated national bodies while operational fund management functions are retained at the fund level, are currently the exception more than the rule in international funds. They are utilized by the Adaptation Fund, the Global Fund and the GAVI Alliance, with the GEF piloting direct access via accreditation of a limited number of national implementing partners. International access, where implementing functions are performed by accredited international entities, is the access modality with the longest track record. Enhanced direct access is the most devolved access modality with, for example, National Trust Funds, of which currently more than 30 exist globally, taking on operational fund management functions including funding decisions.

In order to successfully provide funding to recipient countries through implementing entities and intermediaries, the GCF will have to elaborate and apply principles and standards for their accreditation. In Songdo, mostly developed country Board members underscored that fiduciary standards and

environmental, social and also gender safeguards are critical components of GCF access modalities, including its accreditation procedures. The Board document for Songdo detailed the experience and best practices of existing funds on these standards and safeguards, pointing out that at the GEF and the Adaptation Fund, for example, fiduciary standards are core elements of existing accreditation processes. For environmental, gender and social safeguards and criteria the experience is mixed, with for example the GEF setting minimum requirements, including gender mainstreaming criteria already at the accreditation phase, while at the Adaptation Fund related aspects are only considered in the project review phase. For the GCF, the consideration of standards and safeguards at both accreditation and project level might be necessary to realize the multiple benefits and the gender-sensitive approach the GI mandates for GCF funding.

In Songdo, Board members were able to agree on a process for the Fund to develop its own access modalities. Members decided that the Board should begin with the elaboration of GCF accreditation criteria at its next meeting in October, but that in order to move forward quickly the GCF should start in a phased approach by accepting existing accreditation procedures of “other relevant funds” (without defining which funds those are) on an interim basis. Those could include the procedures applied by the Adaptation Fund, the GEF and the CIFs but also by non-climate funds such as the Global Fund or the GAVI Alliance. These could apply to organizations and government entities seeking accreditation under the GCF, but which are not previously accredited under any of these existing funds. Likewise, the implementers and intermediaries accredited under those “relevant funds” (including accredited national implementing entities under the Adaptation Fund) could then be granted interim accreditation to the GCF, based on the assessment against the GCF’s own accreditation criteria under development. However, it is unclear how the Board would ensure consistency or reconcile discrepancies in the interim process, for example in cases where existing accreditation practice might be lower than what the GCF hopes to set as its own accreditation standards (with for example the Governing Instrument in the case of safeguards mandating international best practice, not just the best practice of existing climate funds).

Several Board members urged pragmatism and a focus on “who can do the job best” as well as criteria such as transparency, effectiveness and efficiency as guidance for the interim accreditation procedures. It is unclear how long these interim procedures would apply, but the Board determined that it would decide on a transition process to the Fund’s permanent accreditation procedures at its second Board meeting in 2014. Several Board members, including from the SIDS and other developing countries, insisted that special efforts must be made to ensure that the permanent GCF accreditation process will not penalize recipient countries with lower national implementation capacity by providing support for readiness and preparatory activities and technical assistance for in-country institutional strengthening to enable these countries to directly access the Fund. A number of developed country Board members also mentioned the need to differentiate between accreditation standards, for example arguing that those under the PSF should be different than those for the GCF in general. The Board paper for Songdo listed types of activities, thematic areas or scales of funding as categories for differentiation of accreditation processes and criteria. For example, an institution accredited to potentially receive a US\$100 million concessional mitigation loan would have to be treated differently than a non-governmental organization seeking access to GCF adaptation funding for a community-based project of up to US\$ 100,000 under a possible GCF Small Grants Facility.

The most contentious aspect on access modalities, and the one dominating the discussion in Songdo, was on whether and how to address enhanced direct access in the decision. Several developing country Board members felt that the existing experience of National Trust Funds as an example of successful best practices for enhanced direct access was short-changed in the Board paper on access modalities, which they argued displayed a bias toward international access irrespective of in many cases higher transaction and administrative costs than direct access options. They pushed for the inclusion of explicit language in the Songdo decision that would commit the Board to developing modalities for enhanced direct access to GCF funding as quickly as possible. Some developed country Board members pushed back by pointing out that the Governing Instrument in para. 47 does not refer to enhanced direct access but only to modalities “that will further enhance direct access”, and that there is some ambiguity considering the meaning of enhancing direct access. One developed Board member in particular argued that such a focus is premature as the GCF should learn from its own experiences with direct access first before moving on to enhancing direct access. However, one developing country Board member made it

very clear that he saw this issue as a developing country red line and that without its favorable resolution not only the Board's decision on access modalities, but consensus agreement on other BMF elements as well was threatened. In the end, Board members agreed to utilize (essentially referring back to) the wording of para.47 of the Governing Instrument and adding a firm commitment by the Board "to consider at its first meeting in 2014 additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes".¹³

At its next meeting in Paris in October, the Board will attempt to make decisions on the GCF's interim accreditation procedure by looking at the practice of funds it considers relevant for the GCF, including their best-practice fiduciary standards and principles and environmental, gender and social safeguards. It will probably examine a list of existing entities and intermediaries accredited by these funds and make a decision on which ones the Board deems fit to work with the GCF on an interim basis. The Board should then also examine if it considers the coverage of those standards and safeguards in existing implementing entities and intermediaries as complete or where it might seek to address existing gaps and shortcomings in elaborating its own criteria for GCF accreditation. One example for where the GCF Board might want to go beyond existing climate fund practice could be with respect to gender equality safeguards in order to ensure that GCF implementing entities and intermediaries take a gender-sensitive financing and implementation approach in accordance with the mandate of the Governing Instrument.¹⁴

Financial Instruments¹⁵

At the Berlin meeting in March, Board members agreed that the GCF would "[c]ommence as a fund that operates through accredited national, regional and international intermediaries and implementing entities" and disburse its funding initially only via grants and concessional loans.¹⁶ Other financial instruments can be added and employed later on following Board approval, with financing focusing on covering "identifiable additional costs" to make a climate investment viable and on catalyzing or leveraging additional public and private investments (Governing Instrument, para. 54). The BMF paper on financial instruments prepared for Songdo laid out possible financial instruments for the Fund, grouping them into four basic types, including guarantees and equity investments in addition to grants and concessional loans. It then described 11 different options for modalities to use these four basic instruments, ranging from development policy loans (familiar from the MDB context to address programmatic policy and institutional changes) to public-private partnerships (PPPs), to blending of GCF financial resources with funding from MDBs or bilateral agencies (a practice used in the World Bank's Clean Technology Fund), to advance market commitments to create viable market demand for private sector investment. A special focus of the paper was on performance-based payments, which the Governing Instrument explicitly allows for, particularly for verified mitigation results (para.55).

In the discussion on financial instruments in Songdo, Board members' assessments of and agreement with the paper differed wildly. A number of developed country Board members praised the paper for laying out a multitude of instruments and urged the flexible use by "a strongly ambitious Fund" of the full range of financial instruments, with a special focus on guarantees, risk mitigation instruments and performance-based financing instruments and addressing ways to raise money for the Fund. In sharp contrast, several developing country Board members declared the paper both biased toward mitigation and lacking in addressing adaptation finance options as well as out of line with the Convention's mandate in Article 11 for developed countries to support developing countries' climate action by providing financing on a grant or concessional basis. They particularly felt that the options for grant financing were too narrowly portrayed by focusing on the use of grants for capacity-building or mainly as an incentive for concessional loans but not for mitigation and adaptation project funding, which developing countries expect to form a large part of GCF financing. They recommended for the Fund at this time to focus only on grants and concessional loans and their modalities, as well as clarifying definitions for incremental costs for mitigation and full costs of adaptation, and to look "at both sides of the ledger" simultaneously by linking the discourse and decisions on financial instruments to Board decisions on resource mobilization and periodic replenishment processes. What financial instruments the GCF will use in the medium-term in addition to grants and concessional loans will also depend on the level of resources and types of financial inputs the GCF Trust Fund will receive. If the GCF receives both grant and loan resources from contributing countries, as the Climate Investment Funds (CIFs) currently do, then the management of

fund resources becomes more complex, requiring a risk management framework to guarantee the GCF's ability to repay loans. Several Board members also cautioned that many of the financing instruments suggested in the paper would demand specialized financial expertise, including on risk management and wanted some clarification of the Board's "risk appetite for the GCF". With more complex financial instruments the GCF would have to be structured and staffed more like a bank than a primarily grant-making fund in order to assess risks and determine varying levels of concessionality and commercial viability of projects (for example to determine incremental costs): a prospect that some developing country Board members rejected, but some developed country Board members seemed to prefer (with a few even open to structuring the GCF according to financial instruments instead of geographical units or mitigation and adaptation windows).

After several rounds of heavy editing of the original multi-paragraph draft decision, which would have included a reference to the Fund deploying over time other financial instruments besides grants and concessional loans, namely specifically guarantees and equity investments, Board members could only agree to consider the terms and criteria of grants and concessional lending to be deployed by the Fund through accredited intermediaries and implementing entities at its October Board meeting, to be prepared by the Interim Secretariat. This decision does not yet clarify the financial instruments and modalities that accredited intermediaries to the GCF themselves can use in passing on grants or concessional funding from the GCF. Several Board members pointed out that the use of the term "intermediaries" is a tricky one without a clear definition of what financial institution it could entail (with some worried that the Board's liability in that case is insufficiently considered). Some developing country Board members wanted assurances that grants or concessional loans used via financial intermediaries could not be lent on in ways not yet agreed by the Board but only passed through as grants and concessional loans, a point that the civil society active observers also stressed, asking to employ a thorough risk assessment before using other financial instruments. This notion was rejected by the private sector active observers who felt the usage of these instruments by both the private sector and the MDBs was proof positive that these instruments are not that risky. Several developed country Board members seemed to agree and reiterated their understanding of the Songdo decision to mean that GCF grants and concessional loans deployed through intermediaries could be passed on by those intermediaries in the form of other financial instruments from the very beginning of the Fund's operation.

Private Sector Facility¹⁷

The development of a Private Sector Facility (PSF) is mandated by the Governing Instrument (para.41), which also places the activities under the PSF under the mandates and requirements of a country-driven approach (para.42), including, as defined by the COP decision in Durban on the GCF, the application of a no-objection procedure giving recipient countries the right to object to private sector investments through the GCF that are not in line with their national priorities.

For many developed country Board members, the PSF is the key component of the BMF, and the development of a strong PSF is thus seen as the trigger for successful resource mobilization for the Fund. This view was expressed in prior Board meetings and stressed again in Songdo. In contrast, many developing country Board members felt that the role of the PSF is overemphasized in the BMF discussion, with the PSF being addressed almost as a separate fund. They urged a prioritization of PSF activities for domestic small and medium-sized enterprises (SMEs), as well as a focus on the domestic private sector in the least developed and small island countries in accordance with the mandate of para. 43 of the Governing Instrument. In Songdo, several developing country Board members pressed for the Board to develop modalities for such PSF engagement, emphasizing the key role that local SMEs play in addressing both adaptation and mitigation, and urged to add Africa as a region to which the PSF should pay particular attention.

Board members differed substantially in their assessment of the Board document on the PSF and the utility of its recommendations, and its initial draft decision underwent several rounds of textual changes and edits, facilitated by the co-chairs and a four person ad-hoc team of Board members (from Denmark, Columbia, Switzerland and the DRC). The paper outlined the barriers to private sector investment from SMEs in developing countries by identifying several broad obstacles from market failures or higher up-front costs to limited expertise and local capacity, lack of awareness and limited capital market

instruments. It suggested that in addition to objectives to be articulated by the Board for the GCF overall, the PSF should also elaborate specific separate objectives, such as increasing the viability of instruments, reducing investment risks, building capacity and readiness and supporting technology development with separate PSF results areas, to be developed under PSF-specific performance indicators with options defined as “dollars and carbon”, “weighing for development impacts” and “dollars, carbon and disclosure of development impacts.”

In Songdo, Board members acknowledged the importance of capacity building for readiness and creating enabling environments for private sector investment, although some developed country Board members rejected any text references in the PSF decision which would give the PSF a specific financing role for capacity building and technical assistance. Suggesting a wide range of financial instruments and modalities for the PSF, the Board paper seemed to put a heavy, if not undue, emphasis on the PSF’s possible role to act as a support-mechanism for carbon prices (by for example providing price guarantees for certified emissions reductions for some CDM projects prioritizing small-scale renewable energy investments). In Songdo, several developing country Board members thought to restrict the financial instruments to be used by the PSF primarily to grants and concessional loans, as mentioned in the UNFCCC, a position the civil society active observers likewise supported. In contrast, a number of developed country Board members advocated for the full utilization of a broad range of instruments, including for private sector adaptation financing, as did the private sector active observers. They also emphasized the need for the PSF to mobilize funds at scale from institutional investors such as pension funds or sovereign wealth funds. The final decision acknowledges a potential role for the PSF to mobilize institutional investors; it allows for the PSF to eventually consider other financing instruments and modalities, although its initial focus will be on grants and concessional loans.

The Songdo paper also discussed two options for potential institutional arrangements for the PSF, namely one that would fully integrate the PSF as a business unit under the Fund and one which would create a separate governing body to which the GCF Board could delegate authority. The latter option even included the possibility of outsourcing the establishment of the PSF, or at a minimum for an early start of the PSF, to draw heavily for initial core staff from institutions such as the IFC. In the Board’s discussion of the PSF, developing country Board members were brisk in their rejection of a separate governance structure for the PSF, with most developed country Board members, even those sympathetic with the idea, acknowledging that it did not have consensus support. The Board therefore decided to construct the PSF as an integral component of the Fund placed under the authority and guidance of the GCF Board. Earlier text references to PSF-specific result areas and performance indicators, which some developed country Board members saw as essential, were ultimately also eliminated from the Songdo decision text (as there was also no consensus on GCF-wide priority result areas and performance indicators). However, while for several developing country Board members the key issue here was the accountability of the PSF to the GCF Board, including the Board’s responsibility and readiness to address the risks of PSF investments, for several developed country Board members such an integration indicated a desire to “mainstream” a private sector and leverage focus throughout GCF activities (and to not just confine it to a specialized business unit under the Fund).

The Songdo decision to establish a Private Sector Advisory Group (PSAG) that will make recommendations to the Board on Fund-wide engagement with the private sector and on modalities to that end is in line with such a “mainstreaming private sector activities into all of the GCF”-approach. Originally, a majority of developed country Board members wanted only four Board members and eight private sector representatives from both developed and developing countries as members of such a group. However, several developing country Board members, particularly from Africa, and the civil society active observer stressed the importance of bringing at least two civil society representatives with private sector expertise into such a body as a matter of accountability and transparency. African Board members who specifically emphasized the need to engage with micro, small and medium-sized enterprises (MSMEs) in their region, demanded that this private sector segment should be represented in the Advisory Group and stressed the experience of civil society groups of engaging MSMEs on climate change in Africa. The members of the Private Sector Advisory Group will be determined by a set of criteria elaborated in draft terms of reference. The Board is asked to approve these at its next Board meeting “with a view to establishing the Private Sector Advisory Group at that meeting.”

In the discussions on the role and functions of the PSF, several Board members from both developed and developing countries focused in their interventions on the issue of necessary checks and balances for private sector investments through the PSF, including the need to avoid unnecessary subsidization of the private sector, to minimize market distortions and windfall profits and to address moral hazard issues. One remedy proposed was the use of competitive processes. Other suggestions, on which the Board reached consensus, included the development of a risk management framework and the establishment of a Risk Management Committee as well as the creation of an Investment Committee to review PSF investment proposals and instruments and to recommend their approval by the Board. Membership, terms, authorities and functions of both committees will be detailed in draft terms of reference to be developed for a decision at the next Board meeting in October. Depending on the Board's willingness to delegate decision-making powers, the Investment Committee could even receive some final approval authority for PSF investments, since the GCF Board is not a sitting Board and only meets several times a year.

The Board also discussed and decided that the PSF will be working initially entirely through accredited national, regional and international implementing entities and intermediaries. This is in line with the decision from Berlin on access modalities. In this set-up, the PSF would be initially channeling grant and concessional resources to financial intermediaries such as the private sector arms of MDBs or private-sector oriented national development banks (such as Brazil's BNDES, the USA's OPIC or the Development Bank of Southern Africa (DBSA)), which in turn would not be restricted in the use of the financial instruments they would employ in financing investments of private sector partners in developing countries. Direct financing to private sector mitigation and adaptation actors could be added over time by developing the PSF as a fully self-sufficient financial intermediary (potentially also with separate accounting and reflow structures from the rest of the GCF), if the Board decides on such a phased approach.

Structure and Organization¹⁸

The Governing Instrument provides specific guidance on important key features for the way the GCF, once fully operational, will be structured and organized by stipulating that it will be accountable to and function under the guidance of the UNFCCC Conference of Parties (para.4); that it will be governed by a Board which can establish subcommittees and panels as needed (paras.5 and 18g); that it will have a fully independent secretariat headed by an executive director (paras. 19 and 20); that it will have a financial trustee (para. 24); that it will start out with an adaptation and mitigation window and have a private sector facility (paras. 37 and 41); that it will have an accreditation process for all implementing entities (para.49); that it will establish an independent evaluation unit (para. 60), an independent integrity unit (para. 68) and an independent redress mechanism (para. 69); and lastly, that the GCF Board will develop mechanisms for technical expert input (para. 70) and to promote the input and participation of stakeholders (para. 71). Board members in prior discussions also stressed the need to make the Fund operational in a cost-effective and streamlined fashion that provides enough flexibility to respond over time to country-driven demand and allows the Fund to evolve and grow.

In Songdo, Board members considered a paper on structure and organization which assessed the practices of other multilateral organizations with very different sizes and structural complexity ranging from the MDBs, with a matrix of departments and units and a large staff, to the Adaptation Fund, with a small implementation unit of less than ten staff, and looked at the cost effectiveness of their respective operations. Separating the functions that the GCF Secretariat is to provide into core operational and supporting units, the paper discussed four options for structuring the core operational units of the Secretariat, which the paper suggests could be an evolutionary sequence as the Fund grows. These options were 1) a thematic structure with project focus (with only an adaptation and mitigation unit); 2) a thematic structure with stronger country and programmatic focus (where a country strategy and program support unit is added); 3) a geographic focus (with regional departments and including consideration of a separate LDCs and SIDS unit); and 4) a financial instrument focus (with a grants and concessional loan unit).

In each of these four options, the Private Sector Facility would be established as a separate unit. The paper suggested for a number of other non-operational support units to be established in the Secretariat,

for example to deal with accreditation, human resources, external relations, legal issues, resource mobilization or technical and expert advice and that some support functions, such as the Independent Evaluation Unit or the Independent Integrity Unit, might only be established over time.

In the discussion, Board members pointed out the necessity to differentiate between a structure for the Fund overall and the functions the Secretariat specifically needs to fulfill. The majority of Board members who spoke on this agenda point indicated a preference for organizing the Fund along thematic units with an added country and programmatic support unit (option 2) as the best way to start of the GCF – with some indicating that over time they would like to see an evolution to a more country- and geography-focused structure. Board members also felt it important to involve the newly appointed Executive Director into the discussions of the GCF structure, and while giving her guidance, not to make too detailed decisions on the organization of the Fund and the set-up of the Independent Secretariat at this point. Several developing country Board members, pointing out that the growth of the GCF as a fund would come through the growth of its resources, urged to add a resource mobilization/financial input unit as a core function to be Fund's structure from the beginning, although they differed on whether the function should be elevated to the level of a Board committee or addressed via point persons in the Independent Secretariat or both. A number of developed and developing countries alike rejected the suggestion made in the background paper that the functions of the evaluation and integrity units and the recourse mechanism mandated for the GCF structure by the Governing Instrument could be initially fulfilled by Secretariat staff. They instead advocated for the independent set-up of these three units from the beginning of the GCF's operations. Several voices were critical of setting up the Private Sector Facility as a separate unit. The civil society active observer warned that the presumption of the PSF as a separate unit should not lead to separate governance structures (as proposed during the PSF discussions and in the PSF background paper), while some Board members and a private sector active observer felt that private sector-relevant skills would be relevant and cross-cutting for all units of the GCF. The ability of the GCF to support capacity-building and readiness and preparatory support activities across all units (and not to be siloed) was brought up by a representative for the small island developing states. Board members also suggested organizing Board committees not along the GCF functional units with several members suggesting that the Board would need an independent advice structure in the form of technical advisory groups or panels separate from and not channeled through the Secretariat.

The Board noted convergence by its members that the initial structure of the Fund and the Secretariat should be thematic, with a Private Sector Facility, a strong country and programmatic focus and the flexibility to evolve over time. It requested the new ED to present an organizational diagram and a staffing table for a scalable GCF Independent Secretariat with consideration to cost, time-frame and process for implementing the suggested structure for the consideration by the Board at its October meeting. At the October meeting, the Board will also look at terms of reference for establishing permanent and ad-hoc Board committees. At its first meeting in 2014, the GCF Board will then look at technical and expert advice to come either from existing relevant thematic bodies (for example under the UNFCCC) or via independent advisory groups or expert panels to be set up by the Board, and decide on the terms of reference of the independent evaluation and integrity units and the independent redress mechanism.

Gender-Sensitive Approach

The 2013 work plan for the GCF Board, which the Board approved at its second meeting, lists a number of priority areas for Board consideration, with most of them being incorporated in or discussed in parallel with the BMF. Although the Governing Instrument mandates in para. 3 that the GCF take a gender-sensitive approach in order to maximize the impact of its funding for adaptation and mitigation, and thus defines gender-sensitivity as a cross-cutting issue for operationalizing the Fund, the BMF discourse and other work areas have so far paid little attention to gender issues as an area to be addressed in implementing a paradigm changing vision for the Fund. Only two of the many preparatory papers for Board consideration in Songdo made any reference to the gender mandate in the GI and tried to suggest ways it could be addressed, namely the BMF papers on objectives, results and performance indicators (in addressing gender equality as one of potential multiple benefits of GCF funding) and on access modalities (in addressing safeguards). However, some Board members shared in private that the gender-

responsiveness of the GCF was one of the issues that came up in the Board interviews with the candidates for the GCF Executive Director in Songdo.

At the first GCF Board meeting in Geneva in August 2012, the Danish/Dutch GCF Board seat had suggested to help support the debate on what a gender-sensitive approach in the Fund could look like by offering a background paper on “*Operationalizing the Gender-Sensitive Approach in the Green Climate Fund*.”¹⁹ This paper, shared with the GCF Board in Songdo, addresses the existing knowledge gap of the GCF Board by providing concrete recommendations on how the gender dimension could be addressed and integrated in the BMF, such as in the PSF, the structure and organization of the Fund, its access modalities, financial instruments, allocation approach or results measurement framework. It makes the case that the GCF has an important opportunity to discuss the merits and elements of a gender-sensitive approach in the GCF in conjunction with ongoing Board discussions and decisions on operational building blocks of the GCF business model, and thereby can become the first climate fund that comprehensively addresses gender from the very outset of its operations. Observers from civil society and international organizations have likewise offered suggestions for the integration of gender equality considerations into GCF operational policies since the first GCF Board meeting (for a summary of their recommendations on BMF relevant policies up for decision in Songdo, see Annex II). The integration of gender responsive policies, standards and guidelines concurrently with the development of its BMF and related operational policies would make the GCF the most important international fund to support developing countries’ move toward low-emission and climate-resilient development pathways in a way that addresses persistent gender inequalities as obstacles to effective climate action and climate financing.

In Songdo, several developed country Board members supported a push by the Danish/Dutch Board seat to discuss in the Board how a gender-sensitive approach in the GCF could be moved forward in 2014 and urged the development of terms of reference to address this issue. The Board Co-Chairs also promised to make gender an agenda item for Board discussions at its next meeting in Paris in October.

Additional Rules of Procedure

The Governing Instrument 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). Since the first Board meeting in Geneva, the GCF Board worked steadily and doggedly to reach agreement on additional rules of procedure, culminating in the adoption of a comprehensive set of additional rules of procedure at its third Board Meeting in Berlin in March.²⁰ In Berlin, in an attempt to separate “policy matters” from procedural rules and to keep additional rules of procedures “lean and mean” and thus prevent political linkage of separate issues (as had happened with the issues of observer participation and financial support for developing country advisers), the Board adopted detailed guidelines for observer participation including for active observers and accreditation of observer organizations²¹, as well as a separate decision on eligible Board member travel and compensation for Board meetings.²²

Issues that could not be resolved in Berlin included information disclosure rules, for instance on webcasting, voting rules and further details on the participation of advisers in Board meetings and proceedings, including work in working groups and committees. These were considered at the fourth Board Meeting in Songdo.

Information Disclosure, including Webcasting²³

At the last Board meeting in Berlin, the Board had addressed information disclosure during its discussions on additional rules of procedure and asked the Secretariat to prepare a document on this topic, including webcasting and its cost implications, for discussion and decision at the Songdo meeting. In Berlin, most discussion 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. Para. 21 of the additional rules of procedures in para.10, which were agreed in Berlin, 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. Observers have also consistently argued for a “presumption to disclose” with respect to all other GCF Board documentation.

For the Fund’s overall disclosure policy, of which the webcasting discourse is only a (albeit important and symbolic) sub-segment, a paper prepared for Songdo discussed three possible approaches with different levels of complexity, cost implications and implementation requirements. Under an interim approach, the Board would put in place certain practices for a first phase of GCF operations to prepare a more comprehensive, fully-fledged information disclosure policy. Such a policy could follow either a “positive list” approach or a “negative list” approach. Under a positive list approach, the Board would decide which documents could be disclosed; such a list would be time-consuming to agree on, but also would be static and require amendments, for example for new types of document only arising as the Fund grows and evolves. Under a negative list approach, which is the current international best practice utilized for example by the World Bank, IFAD and the Asian Development Bank, the type of information that the Board deems confidential and therefore does not want disclosed would be specified. Personal information or business or proprietary information of a third party (including of private sector entities with which the GCF might cooperate) could fall under such categorization. A “presumption to disclose” would be in place for all information not included in the negative list. This has been the best practice recommended to the GCF by international civil society. In Songdo, the Board without any discussion decided to adopt such a negative list approach as the long-term structure of the Fund’s information disclosure policy. It will use simplified interim disclosure procedures, which the Interim Secretariat is to draft for the Board’s consideration at the next Board meeting in October, until such a comprehensive approach can be developed.

How information is disclosed (routinely or after request or redacted only) and when it is disclosed (for example to ensure the effective input and participation of stakeholders in the design, development and implementation of GCF strategies and activities as mandated by para. 71 of the Governing Instrument) are further questions to be considered in such a comprehensive information disclosure policy. Its development, if done properly by soliciting the input of and consulting with stakeholders, could take up to a year. It is also important to recognize that the information disclosure policy or practice of Fund accredited implementing entities and approved intermediaries could be inconsistent with the GCF information disclosure requirements. The Board will have to address the question – when GCF funds are involved – of whose disclosure standards prevail in cases of inconsistency of disclosure policies and practices. If the GCF is serious about setting new best practice in transparency – an ambition which is in doubt after the recent decision on webcasting – than the higher standards in favor of public disclosure prevail, and they should be set by the GCF.

While a negative-list approach to the long-term information disclosure policy of the GCF was not disputed, the issue of webcasting of Board proceedings proved more controversial, leading to a sub-optimal and disappointing outcome for the new Fund. In Berlin, 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 advisers to attend the Board meetings full length, while others worried that webcasting of the Board meetings, something that the Adaptation Fund Board, for example, already does on a regular basis, would prove too expensive. A document for Board decision in Songdo, after deliberating options regarding webcasting of Board meetings and their cost implications, including live webcast through the Internet, on demand-webcast with a video recording of the meeting made available through the Internet after the meeting, and no webcast (with the possibility of making transcripts of the meeting available only 10 years after the meeting) lastly recommended “to not foresee webcasting”.

In the Board discussion in Songdo, one developed country Board member, and the sole fervent advocate from the developed country side for unrestricted webcasting, questioned the costs presented in the paper for live webcasts as presumed to be in the range of up to US\$30,000 for each three- to five-day meeting (although it is not clear from the paper, how that sum was arrived at). He pointed to the actual costs for

webcasting of the Adaptation Fund Board Secretariat which is in the range of US\$ 1,000 per day. While the Interim Secretariat clarified that the Board should consider the webcasting issue not just on the basis of costs, as the recurring costs would be cheaper once a regular venue for Board meetings (such as the Adaptation Fund Board has in Bonn) would be established, several developed country Board members questioned whether expenditure for webcasting was the “best use of our money” and might not be necessary “if we have a very good information disclosure policy.” This was emphatically rejected by the lone developed country Board member and several developing country representatives who worried about the reputational risk for the GCF Board and saw webcasting as a necessary means to connect the work of the Board with constituencies back home, particularly with climate change-affected people in developing countries. One developing country Board member urged to reach out to the host country for the GCF Secretariat for help: South Korea had promised “state-of-the-art” facilities for hosting the GCF Secretariat. The Board already incurs costs for video-streaming the proceedings for the benefit of on-site registered Fund observers to an overflow room during Board meetings, thus de facto already creating the basis for a possible on-demand webcast. Thus, it became quite obvious that some of the weightier reasons why mostly developed country Board members objected to webcasting were non-cost arguments, for example that webcasting would impact the nature of Board conversation by tempting some Board members’ to political grandstanding or by discouraging a candid exchange.

In the end the Board could not find consensus on webcasting and several Board members wanted their expression of disappointment and sadness about the inability of the GCF Board to take a bold decision toward openness and transparency of GCF Board proceedings registered for the record. The Board decided instead to record the Board proceedings and for the foreseeable future make those recordings available on the Fund’s website to registered users within three weeks of each Board meeting. Presumably, this is only to take effect with the next Board meeting, since none of the Songdo Board proceedings have been made available as video recordings yet. This decision will be reviewed and can be revised in light of usage statistics for the service. However, as a developing country Board member stated, “information is a perishable good” and making it available only weeks after the actual Board discussion does provide an opportunity for timely engagement and participation by stakeholders, including real time advocacy efforts, that live on-demand webcasting could have offered. The found solution suggests that actual views could be low (and thus could be used as justification to resist a move to live on-demand webcasting at a later point). This is a very disappointing outcome for the GCF, which claims as its *raison d’être* the ambition to address climate change in a paradigm-shifting way. Setting a forward looking precedent by doing away with status-quo arguments limiting the Board’s openness and transparency by allowing for live webcasting of all its meetings should have been an integral part of that ambition.

Participation of Advisers²⁴

In Songdo, the GCF Board adopted guidelines in accordance with the additional rules of procedures that clarify the role, responsibilities and engagement opportunities of advisors in Board proceedings. These guidelines, which will be published on the Fund’s website, allow for advisors to be appointed to technical and expert panels established by the GCF Board with proof of their specialized expertise, but don’t allow them to be part of Board committees and sub-committees. They could be included, if the Board so decides, in working groups. Several developing country members felt that this was not going far enough and urged to allow, for example, for an adviser to join in committee meetings. Board members and alternates are to be held accountable for the conduct of their respective advisers and must decide whether to provide their advisers with access to documents or information, if it is not confidential or expressly restricted to Board members and alternates.

The Board also decided to adopt the most generous of three possible options for funding adviser travel to Board meetings, which will provide funding under the GCF administrative budget for one designated adviser each per eligible Board member and alternate Board member from developing countries. This decision is also to be reflected in the Fund’s overall travel policy, which the Board will consider separately in the future. Until this decision, travel funds for developing country advisers had been provided by the host countries of the previous three Board meetings (in Switzerland, South Korea and Germany). While providing travel support for developing country advisers could add up to US\$180,000 in costs to the GCF

administrative budget (for an assumed number of 20 eligible Board members and alternates for up to three meetings per year), developing country Board members and alternates made it clear that support for advisers is crucial to their capacity to effectively participate in GCF Board meetings. The issue of travel support for advisers for developing country board members and alternates had been discussed during lengthy deliberations over the previous three Board meetings on additional rules of procedures, and the lack of a generous decision by the Board on that matter was considered an obstacle for any consideration of financial support for developing country active observer participation in GCF Board meetings. The current guidelines on observer participation²⁵ are silent on the issue of travel support for developing country active observers, not having received the support of the Board in Berlin. However, the guidelines provide for a comprehensive review after two years, during which presumably the issue of funding support for active observer participation could be addressed again.

Voting Rules²⁶

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. At the GCF's third Board meeting in Berlin in March, members could not agree on formal voting rules and therefore struck any reference to voting from the additional rules of procedure text. In previous Board discussions it had 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 on whether such voting weighted by contribution would apply only to the developed country Board constituency as a way to ensure burden-sharing among developed countries or to the entire GCF Board.

A paper prepared for Board consideration in Songdo presented several options for voting procedures, including one that – in mimicking actual practice at international financial institutions such as the World Bank and the International Monetary Fund – suggested weighted voting according to a formula to be calculated based on Board members' financial contributions to the Fund with basic votes assigned to developing countries not contributing to the Fund. The option preferred by most developing countries suggests a double majority voting procedure independent of contributions with majorities of those members present and voting in both (developed and developing country) constituencies of the Board. The Board, faced with complex and difficult decisions on the GCF Business Model Framework, rather than deliberating these options and trying to reach consensus on one, opted instead to just take note of the various options presented and agreed to consider the matter at a future, as yet unspecified, GCF Board meeting. It is very likely that the issue might come up, if not formally, then contextually at the next GCF Board meeting in October in Paris, when resource mobilization for the Fund and financial inputs to the Fund will be on the agenda.

Participation of Observers

The participation of observers in the proceedings of the GCF Board was not formally on the agenda of the Songdo meeting. The Board agreed on the rules that govern the participation of observers as part of a comprehensive decision on the Additional Rules of Procedure at the 3rd Board meeting in Berlin in March, which laid out in detail the observer engagement rules – presumably to give the Board more flexibility to change them – in separate guidelines on observer participation. These guidelines clarify for example the accreditation process for observer organizations – in Berlin, the Board decided on a GCF accreditation process separate from the UNFCCC's requiring all organizations (even those already accredited under the UNFCCC) to submit new documentation and be approved by the GCF Board on a no-objection basis – and the role and functions of the private sector and civil society active observers, which are to be chosen in a self-selection process (without financial support through the GCF). In Songdo, civil society was still represented by two interim active observers, as groups felt that a comprehensive and fair outreach and selection process was necessary to determine the two active civil society observers that are to collect and synthesize the concerns of the remaining eight of the UNFCCC constituencies (since the business community, the ninth of the UNFCCC constituencies, was granted a separate status under the

GCF) for a period of two years. International civil society engaged with the GCF is also advocating to allow for rotation of the civil society active observer position amongst a small roster of civil society experts to better reflect both the variety of the eight UNFCCC constituencies as well as geographic and gender balance and expertise. In contrast, the private sector already selected its two active observers, although the position for the developing country private sector observer seat is not held by a representative from a developing country business, but by a representative from a developed country on behalf of a global business network, a fact which was noted with disapproval by some developing country Board members.

Prior to Songdo, dozens of civil society organizations shared via a letter various concerns with the way observer participation has been shaped by the guidelines and handled in practice by the GCF Interim Secretariat with the GCF Board members and the Board Co-Chairs (see attached in Annex III). Civil society observers present in Songdo also articulated these concerns in informal interactions with Board members and on the few formal occasions given to them to air their concerns, for example in the short meeting of all observers with the Board Co-Chairs during one of the lunch breaks. In particular, they felt that the deadlines for accreditation of new observer organizations in advance of the Songdo meeting was too short, that some of the accreditation documentation requirements were too onerous – particularly disadvantaging community and grassroots groups in developing countries – and that a registration cap imposed on registered observer organizations shortly before Songdo (allowing only three registered observers per accredited observer organization) was too strict to accommodate for example the fact that many registered organizations represent international NGO-networks with chapters in many countries.

At the suggestion of one developing country Board member, who inquired on whether an observer contact person had been designated in the Interim Secretariat as had been proposed as part of the Berlin decision, the Co-Chairs suggested to place a discussion on the GCF approach to observer participation, particularly from civil society, on the agenda for the next GCF Board meeting in October in Paris.

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. In Doha, the COP specified in decision 7/CP.18 that the Standing Committee on Finance (SCF) 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 in Warsaw. In Berlin, the GCF Board 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. The Standing Committee on Finance²⁷ has taken up the issue of COP-GCF arrangements in two meetings so far, forwarding a letter of its Co-Chairs to the March GCF Board meeting for consideration by the GCF Board, with the GCF Board taking note of the letter then. At its June meeting, the Standing Committee members were unable to agree on a clean text of recommended arrangements and rather than forwarding a draft with the contentious issues in brackets as guidance for GCF Board deliberations decided not to forward any text for discussion in Songdo. The main point of contention in the SCF discussions was a potential role for the COP in the reconsideration of a complaint of a party against a GCF funding decision as an arbiter of last resort, after having progressed through the GCF independent redress mechanism (which is still to be developed). Most developing countries argued in favor of such COP involvement while the US and Australia in particular rejected such a role. The SCF will meet again in August in an attempt to resolve this and other outstanding issues and could then forward a consensus SCF draft text on the arrangements to the GCF Board for its meeting in October in Paris. In Songdo, GCF Board members unanimously requested the co-chairs to continue to consult with the SCF co-chairs on the arrangements until the Paris meeting.

Logo for the GCF²⁸

At its second meeting, the Board 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 of the Fund and of the challenges and threats posed by climate change. In Berlin, an altered proposal was adopted by the Board opening up the competition to the wider public. Instead of a cash prize as originally proposed (with private sector sponsorship considered and then rejected in Berlin), the winner of the competition will be recognized by displaying the name of the individual/group at GCF headquarters and will only receive support from the GCF administrative budget for travel to the October Board meeting, where the winner of the competition will be announced. The competition opened on June 10th with entries to be received until July 28th.²⁹ In Songdo, the Secretariat informed the Board of its efforts to publicize the competition in reaching out to more than 200 institutions in more than 50 countries. The Board set up a selection panel which includes four Board members or alternate members (from Spain, South Korea, Pakistan and Hungary), a representative from civil society (Mr. Pratim Roy of the Keystone Foundation, India) and the private sector (Mr. Miles Austin of the Carbon Markets & Investors Association, CMI), a well-known graphic designer (then still to be selected) and the Director of the Interim Secretariat. This panel is authorized by the Board to establish a set of criteria to judge entries and will be asked to recommend the winner among a shortlisted set of 100 entries to the Board at its October Board meeting.

Board Composition and Co-Chairs

The 24 members of the GCF Board – 12 selected from developed countries and 12 from developing countries – and their respective Alternate Board members were appointed by their governments in early Summer 2012 in a politically difficult process that had resulted in a four months delay in convening the first GCF Board meeting. An appointment usually lasts three years, with the possibility of renewal; however, during the past four GCF Board meetings the Board has already welcomed several new faces both among principal and alternate board members due to personnel changes in various countries. With the first year of the Board's three year term drawing to a close, a significant number of additional changes in the Board composition are now pending. They are the result of power sharing agreements in several regional groupings in the developing country GCF Board constituency. The 12 developing country Board seats are composed by giving three Board seats to each of three regional country groups (Asia, Latin America and Africa), with one seat each reserved for a representative from LDCs and SIDS. Another developing country Board seat is considered "floating", meaning it is not assigned to one UNFCCC regional group of developing countries specifically. Each UNFCCC regional group decided independently how it would share GCF Board seats among its members. In both the Latin America and the Asia regional group, countries in the region devised a rotational schedule, with up to four country representatives sharing one Board seat and mandating a change in the composition of the regional delegation after every year of the three year Board term. Songdo was thus the last Board meeting for the principal Board members from Columbia, India, Belize and Indonesia (with all of them presumably assuming duties as alternate Board meetings starting with the next Board meeting). Annex I details both the current Board composition and highlights some of the negotiated changes. It is expected that there will be some changes among developed country Board members as well, not as part of power sharing agreements amongst several countries, but as a result of changing government assignments. Thus, it is possible that the October Board meeting could start out with a significant number of new members, in the process losing some of the experience and the benefits of existing working relationships at a time when the Board needs to make some of its toughest and most far-reaching decisions.

The current two Co-Chairs of the GCF Board, Ewen McDonald from Australia and Zaheer Fakir from South Africa, were selected by the Board at its first Board meeting in late August for a term of one year (lasting until August 23, 2013), with their term to be continued until new Co-Chairs are selected.³⁰ In Songdo, a Board member from the Asian delegation informed the Board that with upcoming changes in the composition of the Board, including several new Board members from the Asian delegation, one incoming Board member from Asia had expressed interest for the Co-Chair's position (to replace the co-

chair seat currently held by South Africa). Both co-chairs indicated that they would be willing to continue until a possible replacement through a collective decision by the Board would be made, possible at the next Board meeting in October at the earliest. However the Australian Co-Chair also asked for assurances that both current co-chairs could prepare for and chair the next Board meeting in its entirety before a possible vote for replacement, suggesting he would end his term on August 22nd if the Board did not agree with this approach. A large majority of Board members speaking out praised the leadership of the two current co-chairs, their apparent personal chemistry that allowed them to work closely and harmoniously together and their outstanding performance in working with the Board to make progress on operationalizing the GCF. Board colleagues from both developed and developing countries opined that in the midst of the BMF decisions – and with the next Board meeting shaping up to be a really crucial and busy one – continuity in Board leadership was essential. Some Board members suggested that it would be in line with the Board's existing additional rules of procedures to place the selection of the co-chairs as the last agenda item at the end of the next Board meeting to give the current Co-Chairs the certainty they deserved in order to agree to prepare for and chair the next Board meeting. Board members agreed to an official Board decision to that effect.

Other Issues

Other issues that the Board considered in Songdo on the last day of its meeting with little deliberation and essentially affirming the recommendations made by the Interim Secretariat in preparatory papers included:

- **The relationship of the GCF with the UNFCCC and external bodies³¹:** A paper prepared for Songdo categorized the range of bodies with which the GCF should develop ongoing linkages and relationships, including relationships with UNFCCC bodies, other climate funds and a range of possible implementing organizations. It recommended different levels of engagement, ranging from formal agreements on collaboration to inviting some climate funds to formally register as observers to the GCF. In Songdo the Board decided that the GCF should begin formal engagements with UNFCCC thematic bodies (such as the Adaptation Committee, the Technology Executive Committee or the Least Developed Countries Expert Group) subject to assessment and reconsideration as the GCF and UNFCCC bodies evolve. The Climate Investment Funds, the Adaptation Fund, and the GEF Secretariat (which manages the Special Climate Change Fund and the Least Development Countries Fund) are invited to take up observer status with the GCF. The Board also authorized the Interim Secretariat to engage informally with other external bodies as needed via information exchange, but without a structured relationship.
- **Update on the status of resources of the GCF³²:** An information update on the approved administrative budget of the GCF until year's end (Board and Interim Secretariat expenditures, including extensive consultancy work) and the World Bank's report as Interim Trustee on the financial resources available in the GCF Trust Fund show that the projected expenditures of the GCF administrative budget will be covered, provided outstanding pledges by Norway are fulfilled by year's end. As of June 2013, the GCF Trust Fund has received pledges from 11 countries (Australia, Denmark, Finland, France, Japan, Germany, Korea, Netherlands, Norway, Sweden and the UK) totaling US\$ 8.24 million, with contributions received from 10 countries totaling US\$ 7.54 million. During the Songdo meeting, Sweden indicated its willingness to pledge additional financial support for the administrative budget.

The GCF Trust Fund has yet to receive a substantial pledge, other than for administrative expenses. However, two countries, Germany and South Korea, each pledged tens of millions of US dollars (to be administered bilaterally and not through the GCF Trust Fund) to help countries with capacity building and the development of a pipeline of credible projects to be funded by the GCF. The German commitment for EUR 40 million in readiness support was made at COP 17 in Durban in 2011; recently, South Korea promised developing countries USD 40 million for readiness activities as part of its efforts to win the seat of the GCF Independent Secretariat. In Songdo, the South Korean

hosts invited developing countries Board members for a private dinner to discuss their needs and spending preferences for readiness finance; Germany hosted a similar dinner exchange on the eve of the GCF Board meeting in Berlin in March.

- **Communication Strategy**³³: The GCF Board currently has no comprehensive communication strategy, thus there is no clear guidance on how the Fund is presented to the outside world, for example in non-GCF events. The Board at its Berlin meeting requested the development of a concept note for Board consideration in Songdo. This note, which the Board approved without any discussion, extends the timeframe for completion of the GCF communication strategy to the first GCF Board meeting in 2014. The Board approved the terms of reference for the development of a communication strategy by consultants and allows for the use of up to US\$ 50,000 of the GCF administrative budget for that purpose. As part of the communication strategy, the current perception of the GCF and its Board among key constituencies and stakeholders will be reviewed and stakeholder and target audiences for the Fund mapped. The strategy is also to come up with recommendations for preferred communication channels for Fund messaging. In Songdo, the Board also approved reworked versions of some documents, first presented at the Berlin meeting, for key messaging on the GCFs mission and achievements so far, including a GCF factsheet and answers to some frequently asked questions, eventually to be shared via the GCF website.

Looking Ahead

The next Board meeting from October 7 – 10 in Paris, France, will be an extremely busy one with essential decisions scheduled on the Business Model Framework (where a set of ten constituent policies will be on the agenda) and on other important areas such as on resource mobilization and readiness and preparatory support. Partially because the Board in Songdo could only finish its agenda (including by convening until 9 pm on the last day) by deferring those decisions that did not find a consensus to future Board meetings, the agenda for Paris could top easily more than 20 separate issues for discussion and decision. For a listing of the issues the Board will have to consider for decision in Paris and at the first two Board meetings in 2014 see Annex IV. Given that GCF Board meetings are limited to three days with one day of informal discussions on the eve of the Board meeting, the complexity of the issues under consideration and the likelihood that a significant number of new members will be joining the Board, working through the Paris agenda will be quite a challenge, if not “mission impossible”. The ability of the Interim Secretariat to prepare for such a meeting through the drafting of information notes and background papers (easily two dozen or more possible) and finalizing these three weeks ahead of the Board meeting will be severely tested, as will the ability of Board members, alternates and their advisers to absorb and address the issues presented in those documents comprehensively and conjointly.

In Paris, the Board will have to prioritize those decisions it is mandated to take before COP 19 in mid-November (for example the rules guiding the GCF-COP relationship, the annual report of the GCF Board activities to the COP and those decisions and policies necessary to accomplish the move of the GCF Independent Secretariat to Songdo before year's end). The Board Co-Chairs, whose term could well be ending with the next Board meeting, will also push to finalize the basic structure of the Business Model Framework at the Paris Board meeting in October as a key accomplishment of their chairmanship and to demonstrate to the COP and the larger public that the GCF is well on its way to full operationalization by late 2014.

ENDNOTES:

Most meeting documents for the 4th GCF Board meeting (with the exception of some that were just distributed to the Board and active observers such a report on voting procedures) are posted on the GCF website at: <http://gcfund.net/documents.html>.

¹ For the Co-Chairs, Ewan McDonald from Australia provided an oral report to Board members, highlighting among other activities the drafting of an informal note by the co-chairs on voting procedures for the Board (not published on the GCF website) as well as the participation of the co-chairs in some stakeholder meetings. The Interim Secretariat provided a written summary of its activities and status, available at http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_Inf-2_Activities_Interim_Secretariat_Final_10Jun13.pdf.

² For the agenda of the Songdo GCF Board meeting, see

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Provisional_agenda_Rev.1_19_June_13.pdf

³ GCF Governing Instrument, para. 2; available at: http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF-governing_instrument-120521-block-LY.pdf.

⁴ Ibid, para. 3.

⁵ On the selection of Hela Cheikhrouhou as new Executive Director of the GCF Independent Secretariat, the GCF Board a press statement, available here:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Press_release_ED_selection_final.pdf.

⁶ Songdo Board paper on the administrative framework for the Fund's Independent Secretariat available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B.BM-2013_01_Administrative_Framework_final_31May13.pdf.

⁷ On the decisions taken at the 3rd GCF Board meeting in March in Berlin, see:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Decisions_of_the_Board_V1_15March2013.pdf.

⁸ Songdo Board Paper on objectives, results and performance indicators available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_03_BMF_Objectives_Results_PerformanceIndicators_10Jun13.pdf.

⁹ GCF decision B.04/4, recorded in GCF Board document GCF/B.04/17, p.4, available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf.

¹⁰ Songdo Board Paper on country ownership available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_04_BMF_Country_Ownership_13Jun13.pdf.

¹¹ GCF decision B.04/5, recorded in GCF Board document GCF/b.04/17, pp. 4-5, available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf.

¹² Songdo Board Paper on access modalities available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_05_BMF_Access_Modalities_11Jun13.pdf.

¹³ GCF decision B.04/6, recorded in GCF Board document GCF/B.04/17, pp.5-6, available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_17_decisions.pdf.

¹⁴ The Danish/Dutch GCF Board seat paper submitted a paper to the Board on "Operationalizing a Gender-Sensitive Approach in the Green Climate Fund". This paper is available at: http://www.boell.org/web/index-Schalatek_Burns_GCF_Gender-Sensitive-Approach.html.

¹⁵ Songdo Board paper on financial instruments available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_06_BMF_Financial_Instruments_10Jun13.pdf.

¹⁶ Berlin decision B.01-13/06 on the Business Model Framework is listed in GCF document GCF/B.01-13/12, available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Decisions_of_the_Board_V1_15March2013.pdf

¹⁷ Songdo Board paper on the Private Sector Facility available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_07_BMF_PSF_12Jun13_1745s.pdf.

¹⁸ Songdo Board paper on structure and organization of the Fund available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_08_BMF_Structure_Organization_final_drf_10Jun13.pdf.

¹⁹ The Danish/Dutch Board seat paper on "Operationalizing a Gender-Sensitive Approach in the Green Climate Fund" is available at: http://www.boell.org/web/index-Schalatek_Burns_GCF_Gender-Sensitive-Approach.html.

²⁰ The additional rules of procedure for the GCF Board are available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/RoP.pdf.

²¹ The guidelines on GCF observer participation are listed as Annex XII in GCF document GCF/B.01-13/12, available at: http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Decisions_of_the_Board_V1_15March2013.pdf.

²² Decision B.01-13/02 is listed in GCF document GCF/B.01-13/12, p.4.

²³ Songdo Board paper on information disclosure available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_10_Information_disclosure_final_11Jun13_1850hrs.pdf.

²⁴ Songdo Board paper on the participation of advisers is available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B_04_11_Advisers_4Jun13_Final_Formatted_draft.pdf.

²⁵ The guidelines on observer participation in the Fund can be found under Annex XII of GCF document GCF/B.01-13/12 on decisions of the Board during its 3rd Meeting, available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/Decisions_of_the_Board_V1_15March2013.pdf

²⁶ GCF document GCF/B.04/11 on voting procedures for the GCF Board was distributed to Board members and active observers in advance of the GCF Board meeting in Songdo, but is not made available on the GCF website.

²⁷ Information on the Standing Committee and Finance meetings as well as meeting documents are available at:

http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6881.php.

²⁸ Songdo Board paper on the GCF logo competition available available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_16_Logo_of_the_Fund_final_14Jun13.pdf.

²⁹ For information on the competition, see <http://gcfund.net/secretariat/logo-competition.html>.

³⁰ GCF Rules of Procedure of the Board, p. 6; document available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/RoP.pdf.

³¹ Songdo Board paper on the relationship of the GCF with other bodies available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_14_relations_with_other_bodies_final_19Jun13.pdf.

³² Songdo Report on the status of GCF resources is available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B04-Inf03_Status_of_Resources_Trustee_rpt_draft_14Jun13_1130_hrs_01.pdf.

³³ Songdo Board meeting concept note on the development of a communication strategy is available at:

http://www.gcfund.net/fileadmin/00_customer/documents/pdf/B-04_13_Communication_strategy_final_12Jun13_1745hrs.pdf.

ANNEX I

Members of the Board of the Green Climate Fund (as of July 29, 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. Kwang-Yeoi Yoo (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 Rodriguez (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. Ayman Shastyy (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. Kentaro Ogata (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 Kirchnopf (AM)	Hungary	Poland/ Hungary
20	Ms. Ana Fornells de Frutos	Spain	Spain/ Italy
20	Ms. Ludovia Soderini (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. Joceline Wheatley	United Kingdom	United Kingdom
24	Mr. Matthew Kotchen	United States	United States
24	Mr. C. Alexander Severens (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; changes are expected in time for the next GCF Board meeting (see overview next page).

Expected Changes among Developing Country GCF Board Members and Alternates

NOTE: In several regional groupings in the developing country constituency, seat share arrangements were agreed for the nomination of Board members and their alternates. The country communications detailing the expected changes can be found at: <http://gcfund.net/board/members-of-the-board/nominations.html>. According to these communications, the following changes are likely for the second year of the three-year Board member term (to take effect in time for the 5th Board meeting in Paris in October), although not officially posted or confirmed yet (for updates, check <http://gcfund.net/?id=10>):

Member/ Alternate Member (AM)	Country	Regional Group
Mr. Bambang Brodjonegoro	Indonesia	Asia-Pacific
<u>To be replaced by:</u>		
Mr. Jose Ma. Clemanta Sarte Salceda	Philippines	Asia-Pacific
Mr. Jose Ma. Clemente Sarte Salceda (AM)	Philippines	Asia-Pacific
<u>To be replaced by:</u>		
Mr. Bambang Brodjonegoro (AM)	Indonesia	Asia Pacific
Mr. Dipak Dasgupta	India	Asia-Pacific
<u>To be replaced by:</u>		
Mr. Ayman Shasty	Saudi Arabia	Asia Pacific
Mr. Ayman Shasty (AM)	Saudi Arabia	Asia-Pacific
<u>To be replaced by:</u>		
Mr. Dipak Dasgupta (AM)	India	Asia-Pacific
Ms. Adriana Soto	Columbia	Latin America/ Caribbean
<u>To be replaced by:</u>		
Mr. Pedro Paez	Ecuador	Latin America/Caribbean
Mr. Gabriel Quijandria Acosta (AM)	Peru	Latin America/ Caribbean
<u>To be replaced by:</u>		
Ms. Adriana Soto	Columbia	Latin America/Caribbean
Ms. Audrey Joy Grant	Belize	Latin America/ Caribbean
<u>To be replaced by:</u>		
Mr. Victor Viñas	Dominican Rep.	Latin America/Caribbean
Mr. Jorge A. Ferrer Rodriquez (AM)	Cuba	Latin America/ Caribbean
<u>To be replaced by:</u>		
Ms. Audrey Joy Grant (AM)	Belize	Latin America/Caribbean
Mr. Ernesto Cordero Arroyo	Mexico	Latin America/ Caribbean
<u>To be replaced by:</u>		
Mr. Sergio Barbosa Serra	Brazil	Latin America/Caribbean

ANNEX II

A Gender-Sensitive Approach to the Business Model Framework of the Green Climate Fund¹

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 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, in the context of sustainable development, the paradigm shift toward low-emission and climate-resilient pathways in recipient countries. 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. Organized under the key BMF topics of the 4th GCF Board meeting, concrete recommendations of how to achieve such an approach are provided below.

Business Model Framework: Structure and organization

- 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).
- 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.
- Ensure that the Head of the Independent Secretariat, to be selected at the upcoming GCF Board meeting, has a strong commitment to realizing a gender-sensitive approach in all of the GCF’s operations.
- 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, which allows civil society stakeholders, including women, to raise complaints and grievances with the GCF redress mechanism and have them addressed by gender experts.
- Address the current global underfunding of adaptation, given that women are disproportionately 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.

¹ Authors: The Global Gender and Climate Alliance (GGCA) Climate Finance Working Group and the Heinrich Böll Foundation North America. Shared at the 4th GCF Board meeting in Songdo, South Korea.

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.

Business Model Framework: Objective, results and performance indicators

- 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 step to promote 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 addressed in program and project design, implementation and monitoring and evaluation.

- 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.
- 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.

Business Model Framework: 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.
- Develop gender-sensitive criteria for project identification and fund allocation for each funding window and facility, including the initial windows for adaptation and mitigation.
- 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 in their programmes and projects.
- 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.

Business Model Framework: 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 women's opportunities to become equal participants in the economy as well as the productivity of a country implementing 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.

ANNEX III

Letter to GCF Board Members on Civil Society Participation

Co-Chairs and members of the Board
of the Green Climate Fund
Via GCF Interim Secretariat

June 24th 2013

Dear Board Members of the Green Climate Fund,

We, the undersigned environment, development, indigenous, worker, youth, gender and faith-based organizations, are writing to highlight key issues regarding transparency and public participation that the Board should address at its upcoming meeting in Songdo, and to provide our recommendations on how to resolve them. While we appreciate the improvements made to observer participation at the March Board Meeting in Berlin, there are important additional actions the Board should take to improve transparency and enhance the public's ability to positively engage and provide input on the important substantive issues facing the Board.

Towards this end, we urge the Board to address the following issues during the June Board Meeting in Songdo,

1. **Roster of active observers:** At the March meeting, the Board decided that active observers should represent developed and developing country groups for a fixed term of two years. However, it will be exceedingly difficult for the two people to reflect the broad range of expertise that civil society can contribute, or to effectively represent the large, very diverse and geographically widespread constituencies within civil society, including at the community, national, and international levels. Therefore, we request that the Board allow civil society groups to select their active observer from a three-person roster for each civil society slot (six for all civil society). This roster would be in place for the two-year period.
2. **Active observer support:** At the March meeting, civil society experienced the need to have additional members of civil society in the GCF Board Room to provide direct support to the active observers. This is especially so given the multiple constituencies that the active observers are expected to represent at the meeting. We urge the Board to allow one additional person serving as a replacement and one advisor to sit behind each active observer to better coordinate civil society input. The person serving as a replacement would come from the roster.
3. **Webcasting and information disclosure:** In Songdo, the Board should decide that all Board meetings will be webcast, publicly accessible, and archived for later viewing, consistent with standard UNFCCC practice.³ The Board must also ensure that the GCF information disclosure policy follows international transparency norms and best practices. The GCF should incorporate the principles of the Global Transparency Initiative's "Transparency Charter for International Financial Institutions"⁴ and should be at least as strong as those of its peers, such as the World Bank's Information Disclosure Policy.

Specifically, the information disclosure policy should provide for documents and other pertinent information to be made available with sufficient time for public review and comment. During meetings, observers should receive revised documents at the same time that they are distributed to the Board. The Board should also adopt a "presumption of

³ In addition, the Adaptation Fund webcasts all Board meetings.

⁴ http://www.ifitransparency.org/doc/charter_en.pdf.

disclosure” that is a key component of the right to access to information, and that has been adopted by peer institutions such as the World Bank.

4. **Finance for participation of active observers from the South:** In order to facilitate participation from civil society in developing countries, we urge the Board to fully fund the participation of two members of the developing country active observer roster and an advisor from a developing country.
5. **Active observer participation in committee meetings and working groups:** At the March meeting, the Board decided that active observers may attend committee meetings or working groups in special circumstances when expressly authorized by the Board. This presumption of closure undermines transparency and effective engagement of active observers in the critical work the Board is undertaking. Indeed, the Board would benefit from having civil society participation given the vast expertise and experience found among the different groups and individuals that represent civil society. We ask that the Board reverse this presumption and amend their decision to allow active observers to participate unless there are special circumstances that warrant closure status.
6. **Accreditation process:** The Board decided that the GCF will have a separate accreditation process, which has proven to be challenging for many civil society organizations around the world. Civil society is only being allowed 3 observers per accredited organization even though many observer organizations are global networks with a large number of members worldwide. Having only three observers per organization undermines the possibility of wider and representative participation, especially by civil society from developing countries.
7. **Notification and visas:** Notification of meetings and accreditation decisions must be communicated with sufficient time for observers in order to make travel plans and obtain visas. The notification period (post accreditation confirmation) for the June meeting was 21 calendar days, which is insufficient as visas often take weeks to be processed. Thus, a notification period of at least 30 business days would be more appropriate. Also, while the Secretariat provided visa support letters prior to accreditation confirmation (upon request), in some cases, these letters were not accepted by Korean embassies. The Board or the Secretariat should clarify what is needed for an acceptable invitation letter and ensure those conditions are met.
8. **Technical Issues:** There is also a series of technical and logistical issues that needs to be addressed to facilitate better participation of observers during the Board Meeting that includes reliable access to the internet, printers and photocopiers. Additionally, the Board/Secretariat should arrange for a board room large enough to accommodate all registered observers in a single room, to the greatest extent possible. An overflow room should only be used if there is a genuine lack of space. If there is an overflow room, there should be at least 2 screens, one showing the speaker and a second displaying the actual textual changes to decisions being made by the Board members in real time. We ask Board members to ensure that the Secretariat make necessary provisions on these fairly simple technical issues.

We thank you for your consideration and urge you to address these issues in a timely manner.

Respectfully,

- ActionAid (International)
- Bangladesh Krishok Federation (Bangladesh)
- Bank Information Center (United States)
- Bicitekas A.c. (Mexico)
- Both ENDS (The Netherlands)
- CARE (International)
- Campaign for Climate Justice (Nepal)
- Caucasus Environmental NGO Network-CENN (Georgia)
- Center for Biological Diversity (United States)

- Centre national de coopération au développement- CNCD-11.11.11 (Belgium)
- Centre for 21st century Issues (Nigeria)
- Centro de Derechos Humanos y Ambiente -CEDHA (Argentina)
- Center for International Environmental Law –CIEL (United States)
- Dejusticia (Colombia)
- Earth Peoples (International)
- Ecoa (Brazil)
- Ecological Society of the Philippines (Philippines)
- Ecologistas en Acción (Spain)
- Equidad y Género (Mexico)
- Friends of the Earth England, Wales and Northern Ireland (United Kingdom)
- Friends of the Earth U.S (United States)
- Friends of the Earth-Ghana (Ghana)
- Fundación M'Biguá, Ciudadanía y Justicia Ambiental (Argentina)
- Fundación de Iniciativas de Cambio Climático (Honduras)
- Centro de Análisis e Investigación- Fundar (Mexico)
- Global Alliance for Incinerator Alternatives- GAIA (International)
- GenderCC-Women for Climate Justice (Germany)
- Germanwatch (Germany)
- Global Partnership of Indigenous Peoples on Climate Change and Forests (International)
- Greenpeace (Mexico)
- Haburas Foundation/Friends of the Earth Timor-Leste (Indonesia)
- Heinrich Boell Foundation North America (United States)
- Humanitywatch (Bangladesh)
- IBON International (International)
- Indigenous organization Coordination of the Amazon Basin – COICA (Regional)
- Interamerican Association for Environmental Defense- AIDA (Regional)
- International Trade Union Confederation –ITUC (Global)
- International Forum on Globalization (United States)
- Institute for Policy Studies (United States)
- Jamaa Resource Initiatives (Kenya)
- Jubilee South - Asia/Pacific Movement on Debt and Development (International)
- Keystone Foundation (India)
- Kids vs. Global Warming (United States)
- Korean Federation for Environmental Movement (Korea)
- Labour, Health and Human Rights Development Centre (Nigeria)
- LDC Watch (International)
- l'Organisation de Bienfaisance et de Développement (Djibouti)
- National Fishers Solidarity Movement (Sri-Lanka)
- Oxfam
- Pan African Climate Justice Alliance -PACJA (Regional)
- Philippine Movement for Climate Justice -PMCJ (Philippines)
- Proética-Capítulo Peruano de Transparencia Internacional (Peru)
- Rural Reconstruction Nepal (Nepal)

- Sanlakas partylist (Philippines)
- SAKBE Comunicación y Defensa AC. (Mexico)
- South Asia Alliance for Poverty and Eradication (Regional)
- Sustainable Energy & Economy Network (United States)
- The Sierra Club (United States)
- Tebtebba Foundation -Indigenous Peoples' International Centre for Policy Research and Education (Philippines)
- The Asian Indigenous Women's Network (International)
- Third World Network (International)
- Ulu Foundation (Honolulu)
- US Climate Action Network (United States)
- Zambia Climate Change Network (Zambia)
- Worldview-The Gambia (Gambia)

Annex IV

Overview of issues for GCF Board consideration at upcoming meetings based on Board decisions and ongoing preparatory work

At October 7-10, 2013 GCF Board Meeting in Paris, France

Independent Secretariat – Administrative Policies and Procedures

- Work on obtaining administrative support from another organization (f.ex. payroll) to facilitate transition to Independent Secretariat for consideration and
- Progress report on hybrid model administrative policies for the Fund

Business Model Framework

Objectives, results and performance indicators

- consideration of initial results areas of the fund ‘with an aim to achieve substantial progress’
- consideration of core performance indicators by the Fund and consideration of mitigation and adaptation results

Country ownership

- consideration of countries’ transparent no-objection procedure

Access modalities

- consideration of interim accreditation procedures, including fiduciary principles and standards and environmental and social safeguards and any other relevant criteria to enhance transparency, effectiveness and efficiency
- consideration of criteria for the accreditation of sub-national, national, regional and international intermediaries and implementing entities
- consideration of an assessment of national, regional international intermediaries and implementing entities accredited by other relevant funds “with a view to agreeing” on whether or not they should be provided with interim accreditation to the GCF

Financial instruments

- consideration of the terms and criteria of the grants and concessional lending to be deployed by the Fund through accredited national, regional and international intermediaries and implementing entities

Private Sector Facility

- consideration of the draft terms of reference for the Private Sector Advisory Group “with a view to establishing the PSAG at that meeting”
- Consideration of the draft terms of reference for a Risk Management Committee
- Consideration of the draft terms of reference for an Investment Committee

Structure and Organization

- Consideration of an initial organization structure for the Fund and a staffing table covering the core, operating and other relevant functions of a flexible secretariat as well

- as the cost, procedure, timeframe and process for implementing the proposed structure and organization, to be prepared by the new Executive Director with Secretariat support
- Consideration of the establishment and terms of reference of permanent and ad hoc Board committees

Financial Inputs

- Consideration of an assessment of the different financial inputs received by other funds, their benefits and disadvantages and applicability as policy choices for the Fund (via a BMF paper)

Allocation

- Consideration of policy choices for the Fund on allocation, by taking into account an assessment of the allocation procedures of other multilateral funds, their benefits and disadvantages and applicability
- Consideration of results-based approaches for resource allocation

Results-management framework

- Consideration of key elements of a results management framework
- Consideration of modalities for monitoring and evaluation

Additional Rules of Procedure – Information Disclosure

- Consideration of a draft interim information disclosure practice, to be prepared by the Interim Secretariat

Arrangements between the COP and the Fund

- Consideration of the draft arrangements between the COP and the Fund (with a decision mandated before COP 19)

Logo of the Fund

- Recommendation (for decision by the Board) on the successful logo for the Fund and announcement of the winner

Election of Board Co-Chairs

- scheduled for end of the October Board Meeting

Resource Mobilization

- consideration of resource mobilization strategy and decisions on the Fund's approach to resource mobilization and on key factors determining how that approach will be implemented

Preparatory and readiness support

- consideration of modalities for readiness and preparatory support and approval of key policy matters relating to them
- reflect in document on readiness and preparatory support options to enhance country-ownership including possible via support to NDAs and focal points (mandate from BM4 decision on country ownership)

Other BM5 Agenda items:

- Gender-sensitive approach
- Civil society engagement (Secretariat Focal point, restriction of CSO reps per organization)
- Status of Resources (NOTE; currently administrative budget expenses are only approved/covered until December 31, 2013)

First GCF Board Meeting (BM6) in 2014 (possibly in March 2014)**Business Model Framework**Country Ownership:

- consideration of best practices for establishment and composition of NDAs and focal points
- consideration of best practice options for country coordination and multi-stakeholder engagement, including in the context of the development of funding proposals

Access modalities

- consideration of additional modalities that further enhance direct access including through funding entities with a view to enhancing country ownership of projects and programmes

Structure and organization

- consideration of mechanisms to draw on appropriate expert and technical advice, including independent scientific and technical advice and form the other relevant thematic bodies
- consideration of the terms of reference of the independent evaluation and integrity units and the independent redress mechanism

Communication strategy

- completion of the communication strategy for the Fund for consideration by the Board at BM6

Second GCF Board Meeting (BM7) in 2014 (possibly in June 2014)**Business Model Framework**Objectives, results and performance indicators

- consideration of expected impacts and role of the Fund in the initial results areas at BM7

Access modalities

- consideration of the process for transitioning from interim accreditation procedures, standards and principles to the Fund's own accreditation procedures



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