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**Green Climate Fund – report of the Transitional Committee****Report of the Transitional Committee for the design of the  
Green Climate Fund****Note by the Co-Chairs of the Transitional Committee\****Summary*

In its decision 1/CP.16, the Conference of the Parties (COP) decided that the Green Climate Fund shall be designed by a Transitional Committee (TC) in accordance with the terms of reference contained in appendix III to that decision. Through these terms of reference the TC was tasked to develop and recommend operational documents to the COP for approval at its seventeenth session. This report of the TC was considered by the TC at its fourth and final meeting in Cape Town, South Africa, and is submitted to the COP at its seventeenth session for its consideration and approval, in accordance with the relevant provisions of decision 1/CP.16 and its appendix III. This report contains draft recommendations of the TC to the COP, including a draft governing instrument for the Green Climate Fund.

A letter by which the Co-Chairs have transmitted the report of the TC to the COP is presented in document FCCC/CP/2011/6/Add.1.

\* This document was submitted after the due date owing to the timing of the Fourth Meeting of the Transitional Committee for the design of the Green Climate Fund, held in Cape Town, South Africa, from 16 to 18 October 2011.

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## I. Background

1. At the sixteenth session of the Conference of the Parties (COP), held in Cancun, Mexico, from 29 November to 10 December 2010, the COP adopted, as part of the Cancun Agreements, decision 1/CP.16 in which it (paras. 102–108):

(a) Decided to establish the Green Climate Fund (GCF), to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the COP and the GCF to ensure that the Fund is accountable to, and functions under, the guidance of the COP, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows;

(b) Also decided that the Fund shall be governed by a Board of 24 members, comprising an equal number of members from developing and developed country Parties; representation from developing country Parties shall include representatives of relevant United Nations regional groupings and representatives of small island developing States and the least developed countries; each Board member shall have an alternate member; with alternate members entitled to participate in the meetings of the Board only through the principal member, without the right to vote, unless they are serving as the member; during the absence of the member from all or part of a meeting of the Board, his or her alternate shall serve as the member;

(c) Further decided that the GCF shall have a trustee; the trustee for the GCF shall have the administrative competence to manage the financial assets of the GCF, maintain appropriate financial records and prepare financial statements and other reports required by the Board of the GCF, in accordance with internationally accepted fiduciary standards;

(d) Decided that the trustee shall administer the assets of the GCF only for the purpose of, and in accordance with, the relevant decisions of the GCF Board; the trustee shall hold the assets of the GCF separate and apart from the assets of the trustee, but may commingle them for administrative and investment purposes with other assets maintained by the trustee; and the trustee shall establish and maintain separate records and accounts to identify the assets of the GCF;

(e) Decided that the trustee shall be accountable to the GCF Board for the performance of its fiduciary responsibilities;

(f) Invited the World Bank to serve as the interim trustee for the GCF, subject to a review three years after operationalization of the Fund;

(g) Decided that the operation of the Fund shall be supported by an independent secretariat.

## II. Mandate of the Transitional Committee

### A. Terms of reference as given by the Cancun Agreements

2. In its decision 1/CP.16, the COP also decided that the GCF shall be designed by a Transitional Committee (TC) in accordance with the terms of reference contained in appendix III to that decision. The TC comprises 40 members,<sup>1</sup> with 15 members from developed country Parties and 25 members from developing country Parties, with members

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<sup>1</sup> The names of members of the Transitional Committee are contained in annex II to this report.

having the necessary experience and skills, notably in the areas of finance and climate change.

3. The COP requested the secretariat, in consultation with the President of the COP, to make arrangements enabling relevant United Nations agencies, international financial institutions and multilateral development banks, along with the secretariat and the Global Environment Facility (GEF), to second staff to support the work of the TC.

4. Through the terms of reference (decision 1/CP.16, appendix III), the TC was tasked to develop and recommend to the COP for approval at its seventeenth session in Durban, South Africa, to be held from 28 November to 9 December 2011, operational documents for the GCF that address the issues outlined in the terms of reference. In the conduct of its work, the COP requested the TC to encourage input from all Parties and from relevant international organizations and observers, and to take into account the findings contained in relevant reports.

## **B. Work of the Transitional Committee**

5. The TC met four times between the sixteenth and the seventeenth sessions of the COP. The initial meeting of the TC was convened on 28 and 29 April 2011 in Mexico City, Mexico. The second meeting was held on 13 and 14 July 2011 in Tokyo, Japan. The third meeting was held on 11–13 September 2011 in Geneva, Switzerland, with the fourth meeting taking place on 16–18 October 2011 in Cape Town, South Africa.

6. The TC elected Mr. Ernesto Cordero Arroyo (Mexico), Mr. Kjetil Lund (Norway) and Mr. Trevor Manuel (South Africa) as the Co-Chairs of the TC. Mr. Ewen McDonald (Australia) and Mr. Burhan Gafoor (Singapore) were elected as the Vice-Chairs of the TC.

7. The working arrangements set out the mode of operation of the TC and the arrangements for organizing its work during and between meetings, including provisions on the adoption of conclusions by consensus and the application of the principles of effectiveness, inclusiveness and transparency when implementing the workplan and when defining the roles and responsibilities of the Co-Chairs, Vice-Chairs, Co-Facilitators, TC members, secretary and Technical Support Unit (TSU). They also specify the arrangements for the work of the TC, such as those relating to the preparation for and organization of meetings of the TC, interaction among members, the role and tasks of the TSU, participation of observers, and procedures for dissemination of public information and outreach.

8. In order to facilitate its work, the TC decided to cluster the relevant topics and organize the work into workstreams:

(a) Workstream I on scope, guiding principles and cross-cutting issues (co-facilitated by Mr. Derek Gibbs (Barbados) and Ms. Alicia Montalvo (Spain));

(b) Workstream II on governance and institutional arrangements (co-facilitated by Mr. Tosi Mpanu Mpanu (Democratic Republic of the Congo) and Mr. Bruno Oberle (Switzerland));

(c) Workstream III on operational modalities (co-facilitated by Mr. Ewen McDonald (Australia) and Mr. Farrukh Khan (Pakistan));

(d) Workstream IV on monitoring and evaluation (co-facilitated by Mr. Aparup Chowdhury (Bangladesh) and Mr. Jan Cedergren (Sweden)).

9. Three workshops were organized to allow for in-depth discussions on the issues central to the work of the TC and to involve other stakeholders and observers in advancing the work in the workstreams. The workshop details are as follows:

(a) Technical workshop in Königswinter, Germany, on 30 May–1 June 2011 to discuss the scope and focus of the four workstreams and hold consultations with observer organizations;

(b) Pre-meeting workshop in Tokyo on 12 July 2011 on lessons learned from relevant funds and institutions;

(c) Pre-meeting workshop in Geneva on 11 September 2011 on the role of the GCF in fostering transformational change, engaging civil society and leveraging the private sector.

10. In addition to procedural, organizational and substantive working documents of the TC, the TSU, under the guidance of the Co-Chairs, Vice-Chairs and the Co-Facilitators, prepared a number of documents to support the work of the TC. These included background notes, working papers, scoping papers and a survey report. These documents were used to inform and support discussions at the meetings but were not adopted as such. They were prepared taking into account a large number of written submissions to the TC made by Committee members, observer Parties, intergovernmental organizations and civil society organizations. Submissions were posted on the website of the TC.<sup>2</sup>

11. The Executive Secretary of the UNFCCC secretariat established the TSU in accordance with decision 1/CP.16. It consisted of the TC Secretary and a substantive team drawn from UNFCCC secretariat staff and staff seconded from United Nations agencies, international financial institutions, and multilateral development banks, as well as the GEF secretariat, to support the work of the TC. It supported the work of the TC by, inter alia, providing substantive technical input to the work of the Committee, publishing and distributing documents for its meetings, preparing reports of these meetings, supporting the work of the workstreams established by the TC, providing support to the Co-Chairs, Vice-Chairs and Co-Facilitators during the TC meetings and workshops, making arrangements for the TC meetings and providing the TC with logistical and administrative services as required.

12. At its second and third meetings, the TC agreed to the workplan and a road map outlining the schedule for its work in order to fulfil its mandate and to provide to the COP at its seventeenth session operational documents for adoption. The Co-Chairs, Vice-Chairs and Co-Facilitators were entrusted with preparing the draft report of the TC to the COP at its seventeenth session, taking into account the discussions that took place at the meetings and the written submissions, and with the involvement of all the TC members.

13. Annex I to this report presents the core results of the work of the TC: a draft governing instrument for the GCF. This draft covers all items of the terms of reference of the TC as summarized in the table below:

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<sup>2</sup> <[http://unfccc.int/cancun\\_agreements/green\\_climate\\_fund/items/5868.php](http://unfccc.int/cancun_agreements/green_climate_fund/items/5868.php)>.

**Correspondence between sections of the draft governing instrument of the Green Climate Fund and the terms of reference of the Transitional Committee**

<i>Transitional Committee terms of reference (decision 1/CP.16, appendix III)</i>	<i>Draft governing instrument of the Green Climate Fund (Annex I to the report of the Transitional Committee)</i>
Paragraph 1(a): The legal and institutional arrangements for the establishment and operationalization of the Green Climate Fund	Section 2 (Governance and institutional arrangements)
Paragraph 1(b): The rules of procedure of the Green Climate Fund Board and other governance issues related to the Board	Section 2 (Governance and institutional arrangements)
Paragraph 1(c): Methods to manage the large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving a balanced allocation between adaptation and mitigation	Section 4 (Financial inputs) Section 5 (Operational modalities)
Paragraph 1(d): The financial instruments that the Fund can use to achieve its priorities	Section 6 (Financial instruments)
Paragraph 1(e): Methods to enhance complementarity between the Fund’s activities and those of other bilateral, regional and multilateral funding mechanisms and institutions	Section 5 (Operational modalities)
Paragraph 1(f): The role of the Fund’s secretariat and the procedure for selecting and/or establishing the secretariat	Section 2 (Governance and institutional arrangements)
Paragraph 1(g): A mechanism to ensure periodic independent evaluation of the Fund’s performance	Section 7 (Monitoring) Section 8 (Evaluation)
Paragraph 1(h): Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the Fund, in order to ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management of the Fund’s activities	Section 9 (Fiduciary standards) Section 10 (Environmental and social safeguards) Section 11 (Accountability mechanisms)
Paragraph 1(i): Mechanisms to ensure the provision of appropriate expert and technical advice, including from relevant thematic bodies established under the Convention	Section 12 (Expert and technical advice)
Paragraph 1(j): Mechanisms to ensure stakeholder input and participation	Section 13 (Stakeholder input and participation)

14. The draft report was discussed at the fourth meeting of the TC in Cape Town and the text contained in chapter III below was considered on 18 October 2011. It is submitted by the TC to the COP at its seventeenth session for its consideration and approval, in accordance with the relevant provisions of decision 1/CP.16 and its appendix III.

### **III. Recommendations by the Transitional Committee to the Conference of the Parties at its seventeenth session**

15. The TC recommends to the COP at its seventeenth session that it:
- (a) Take note of the report of the TC as mandated by decision 1/CP.16;
  - (b) Approve the governing instrument of the GCF as contained in annex I to this report;
  - (c) Request the Executive Secretary of the UNFCCC to invite regional groups and constituencies to nominate their Board members;
  - (d) Request the Executive Secretary of the UNFCCC to invite Parties to submit expressions of interest to host the GCF;
  - (e) Invite voluntary contributions for the start-up of the GCF;
  - (f) Request the Executive Secretary of the UNFCCC to set up an interim secretariat immediately after COP 17 to provide technical, administrative and logistical support to the Board, in particular in the preparation of materials for and organization of Board meetings until an independent secretariat of the GCF is fully operational. The interim secretariat should be composed of staff with relevant expertise and be fully accountable to the Board and should function under its guidance;
  - (g) Set the date for the first meeting of the Board;
  - (h) Consider the process for the selection of the trustee of the GCF.

## **Annex I**

### **Draft governing instrument for the Green Climate Fund**

The Green Climate Fund (hereinafter the “Fund”) is hereby established and will operate in accordance with the following provisions:

#### **I. Objectives and guiding principles**

1. Given the urgency and seriousness of climate change, the purpose of the Fund is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.
2. The Fund will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.
3. The Fund will be guided by the principles and provisions of the Convention. The Fund will operate in a transparent and accountable manner guided by efficiency and effectiveness. The Fund will play a key role in channelling new, additional, adequate and predictable financial resources to developing countries and will catalyse climate finance, both public and private, and at the international and national levels. The Fund will pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders. The Fund will be scalable and flexible and will be a continuously learning institution guided by processes for monitoring and evaluation. The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.

#### **II. Governance and institutional arrangements**

##### **A. Relationship to the Conference of the Parties**

4. The Fund will be designated as an operating entity of the financial mechanism under Article 11 of the Convention and will be accountable to and function under the guidance of the Conference of the Parties (COP).
5. The Fund will be governed and supervised by a Board that will have full responsibility for funding decisions.
6. Arrangements will be concluded between the COP and the Fund, consistent with Article 11 of the Convention, to ensure that the Fund is accountable to and functions under the guidance of the COP. In order to ensure accountability to the COP, pursuant to Article 11, paragraph 3, the Board will:
  - (a) Receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria and matters related thereto;



- (b) Take appropriate action in response to the guidance received;
- (c) Submit annual reports to the COP for its consideration and receive further guidance.

## **B. Legal status**

7. In order to operate effectively internationally, the Fund will possess juridical personality and will have such legal capacity as is necessary for the exercise of its functions and the protection of its interests.

8. The Fund will enjoy such privileges and immunities as are necessary for the fulfilment of its purposes. The officials of the Fund will similarly enjoy such privileges and immunities as are necessary for the independent exercise of their official functions in connection with the Fund.

## **C. Rules of procedure of the Board**

### **1. Composition**

9. The Board will have 24 members, composed of an equal number of members from developing and developed country Parties. Representation from developing country Parties will include representatives of relevant United Nations regional groupings and representatives from small island developing States (SIDS) and the least developed countries (LDCs).

10. Each Board member will have an alternate member, with alternate members entitled to participate in the meetings of the Board only through the principal member, without the right to vote, unless they are serving as the member. During the absence of the member from all or part of a meeting of the Board, his or her alternate will serve as the member.

### **2. Selection of Board members**

11. The members of the Board and their alternates will be selected by their respective constituency or regional group within a constituency. Members of the Board will have the necessary experience and skills, notably in the areas of climate change and development finance, with due consideration given to gender balance.

### **3. Term of membership**

12. Members and alternate members will serve for a term of three years and be eligible to serve additional terms as determined by their constituency.

### **4. Chairmanship**

13. Two Co-Chairs of the Board will be elected by the Board members from within their membership to serve for a period of one year, with one being a member from a developed country Party and the other being a member from a developing country Party.

### **5. Decision-making**

14. Decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted.

**6. Quorum**

15. A two-thirds majority of Board members must be present at a meeting to constitute a quorum.

**7. Observers**

16. The Board will make arrangements, including developing and operating accreditation processes, to allow for effective participation by accredited observers in its meetings. The Board will invite, to participate as active observers: two civil society representatives, one each from developing and developed countries, and two private sector representatives, one each from developing and developed countries.

**8. Additional rules of procedure**

17. Additional rules of procedures will be developed by the Board.

**D. Role and functions of the Board**

18. The Board of the Fund will:

- (a) Oversee the operation of all relevant components of the Fund;
- (b) Approve operational modalities, access modalities and funding structures;
- (c) Approve specific operational policies and guidelines, including for programming, project cycle, administration, and financial management;
- (d) Approve funding in line with the Fund's principles, criteria, modalities, policies and programmes;
- (e) Develop environmental and social safeguards and fiduciary principles and standards that are internationally accepted;
- (f) Develop criteria and application processes for the accreditation of implementing entities of the Fund and accredit implementing entities and withdraw such accreditation;
- (g) Establish subcommittees and panels and define their terms of reference, as appropriate;
- (h) Establish additional thematic windows and/or substructures to address specific activities, as appropriate;
- (i) Establish a framework for the monitoring and evaluation of performance and the financial accountability of activities supported by the Fund and any necessary external audits;
- (j) Review and approve the administrative budget of the Fund and arrange for performance reviews and audits;
- (k) Appoint the Executive Director of the secretariat,
- (l) Appoint the head of the evaluation unit and the heads of all accountability units;
- (m) Receive guidance and take action in response to any guidance from the COP and prepare annual reports to the COP on its activities;

- (n) Develop working and coordination arrangements with other relevant bodies under the Convention and other relevant international institutions;
- (o) Select, appoint and enter into legal and administrative arrangements with the trustee;
- (p) Exercise such other functions as may be appropriate to fulfil the objectives of the Fund.

## **E. Secretariat**

### **1. Establishment of the secretariat**

19. The Fund will establish a secretariat, which will be fully independent. The secretariat will service and be accountable to the Board. It will have effective management capabilities to execute the day-to-day operations of the Fund.

20. The secretariat will be headed by an Executive Director with the necessary experiences and skills, who will be appointed by and be accountable to the Board. The Board will approve the job description and qualifications for the Executive Director. The Executive Director will be selected through a merit-based, open and transparent process.

21. The secretariat will be staffed with professional staff with relevant experience. The staff selection will be managed by the Executive Director and will be open, transparent and based on merit, taking into account geographical and gender balance.

22. The selection of the host country of the Fund will be an open and transparent process. The selection of the host country will be endorsed by the COP.

### **2. Functions**

23. The secretariat will be responsible for the day-to-day operations of the Fund, providing administrative, legal and financial expertise. In particular, the secretariat will:

- (a) Organize and execute all administrative duties;
- (b) Report information on the Fund's activities;
- (c) Liaise with members, implementing entities, and cooperating bilateral and multilateral institutions and agencies;
- (d) Prepare performance reports on the implementation of activities under the Fund;
- (e) Develop the work programme and annual administrative budget of the secretariat and trustee and submit them for approval by the Board;
- (f) Operationalize the project and programme cycle processes;
- (g) Prepare financial agreements related to the specific financing instrument to be concluded with an implementing entity;
- (h) Monitor the financial risks of the outstanding portfolio;
- (i) Work with the trustee to support the Board to enable it to carry out its responsibilities;
- (j) Carry out monitoring and evaluation functions;
- (k) Support the Board in arranging replenishment processes;
- (l) Establish and run effective knowledge management practices;

- (m) Perform any other functions assigned by the Board.

## **F. Trustee**

24. The Fund will have a trustee with administrative competence to manage the financial assets of the Fund. The trustee will maintain appropriate financial records and will prepare financial statements and other reports required by the Board, in accordance with internationally accepted fiduciary standards.

25. The trustee will administer the assets of the Fund only for the purpose of, and in accordance with, the relevant decisions of the Board. The trustee will hold the assets of the Fund separate and apart from the assets of the trustee, but may commingle them for administrative and investment purposes with other assets maintained by the trustee. The trustee will establish and maintain separate records and accounts in order to identify the assets of the Fund.

26. The World Bank will serve as interim trustee for the Fund, subject to a review three years after the operationalization of the Fund.

27. The trustee will be accountable to the Board for the performance of its responsibilities as trustee for the Fund.

## **III. Administrative costs**

28. The Fund will finance the operating costs of the Board, secretariat and trustee.

## **IV. Financial inputs**

29. The Fund will receive financial inputs from developed country Parties to the Convention.

30. The Fund may also receive financial inputs from a variety of other sources, public and private, including alternative sources.

## **V. Operational modalities**

31. The Fund will provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.

32. The Board will steer the Fund's operations so that they evolve with the Fund's scale and maturity and will exercise flexibility to allow the Fund to evolve over time and become the main global fund for climate change finance.

### **A. Complementarity and coherence**

33. The Fund shall operate in the context of appropriate arrangements between itself and other existing funds under the Convention, and between itself and other funds, entities, and channels of climate change financing outside the Fund.

34. The Board will develop methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding

mechanisms and institutions, to better mobilize the full range of financial and technical capacities. The Fund will promote coherence in programming at the national level through appropriate mechanisms. The Fund will also initiate discussions on coherence in climate finance delivery with other relevant multilateral entities.

## **B. Eligibility**

35. All developing country Parties to the Convention are eligible to receive resources from the Fund. The Fund will finance agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus),<sup>1</sup> technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries.

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

## **C. Funding windows and fund structure**

37. The Fund will have thematic funding windows. Initially the Fund will have windows for adaptation and mitigation. An integrated approach to funding mitigation and adaptation will be used to allow for cross-cutting projects and programmes.

38. The Board shall also ensure adequate resources for capacity-building and technology development and transfer. The Fund will also provide resources for innovative and replicable approaches.

39. The Board will consider the need for additional windows. The Board will have the authority to add, modify and remove additional windows and substructures or facilities as appropriate.

### **1. Readiness and preparatory support**

40. The Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.

### **2. Private sector**

41. The Fund will have a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels.

42. The operation of the facility will be consistent with a country-driven approach.

43. The facility will promote the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local

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<sup>1</sup> Reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

financial intermediaries. The facility will also support activities to enable private sector involvement in SIDS and LDCs.

44. The Board will develop the necessary arrangements, including access modalities, to operationalize the facility.

## **D. Access modalities and accreditation**

45. Access to Fund resources will be through national, regional and international implementing entities accredited by the Board. Recipient countries will determine the mode of access and both modalities can be used simultaneously.

46. Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes. The national designated authorities will be consulted on other funding proposals for consideration prior to submission to the Fund to ensure consistency with national climate strategies and plans.

### **1. Direct access**

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

### **2. International access**

48. Recipient countries will also be able to access the Fund through accredited international entities, including United Nations agencies, multilateral development banks, international financial institutions and regional institutions.

### **3. Accreditation**

49. The Board will develop, manage and oversee an accreditation process for all implementing entities based on specific accreditation criteria that reflect the Fund's fiduciary principles and standards and environmental and social safeguards.

## **E. Allocation**

50. The Board will balance the allocation of resources between adaptation and mitigation activities under the Fund and ensure appropriate allocation of resources for other activities.

51. A results-based approach will be an important criterion for allocating resources.

52. In allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and Africa, using minimum allocation floors for these countries as appropriate. The Board will aim for appropriate geographical balance.

## **F. Programming and approval processes**

53. The Fund will have a streamlined programming and approval process to enable timely disbursement. The Board will develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities.

## **VI. Financial instruments**

54. The Fund will provide financing in the form of grants and concessional lending, and through other modalities, instruments or facilities as may be approved by the Board. Financing will be tailored to cover the identifiable additional costs of the investment necessary to make the project viable. The Fund will seek to catalyse additional public and private finance through its activities at the national and international levels.

55. The Fund may employ results-based financing approaches, including, in particular for incentivizing mitigation actions, payment for verified results, where appropriate.

56. Financial management practices and financing agreements will be in keeping with the Fund's fiduciary principles and standards and environmental and social safeguards to be adopted by the Board. The Board will develop an appropriate risk management policy for funding and financial instruments.

## **VII. Monitoring**

57. The programmes and projects, as well as other activities, funded by the Fund will be regularly monitored for impact, efficiency and effectiveness in line with rules and procedures established by the Board. The use of participatory monitoring involving stakeholders will be encouraged.

58. A results measurement framework with guidelines and appropriate performance indicators will be approved by the Board. Performance against these indicators will be reviewed periodically in order to support the continuous improvement of the Fund's impact, effectiveness and operational performance.

## **VIII. Evaluation**

59. There will be periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency. The purpose of these independent evaluations is to inform decision-making by the Board and to identify and disseminate lessons learned. The results of the periodic evaluations will be published.

60. To this end, the Board will establish an operationally independent evaluation unit as part of the core structure of the Fund. The head of the unit will be selected by, and will report to, the Board. The frequency and types of evaluation to be conducted will be specified by the unit in agreement with the Board.

61. Reports of the Fund's independent evaluation unit will be provided to the COP for purposes of periodic reviews of the financial mechanism of the Convention.

62. The COP may commission an independent assessment of the overall performance of the Fund, including Board performance.

## **IX. Fiduciary standards**

63. The Board will agree on, adopt, and ensure the application of best practice fiduciary principles and standards to the Fund's entities, the trustee's function related to the Fund, and to all operations, projects and programmes financed by the Fund, including the implementing entities.

64. The Fund will support the strengthening of capacities in recipient countries, where needed, to be able to meet the Fund's fiduciary principles and standards, based on modalities that will be established by the Board.

## **X. Environmental and social safeguards**

65. The Board will agree on and adopt best practice environmental and social safeguards, which shall be applied to all programmes and projects financed using the resources of the Fund.

66. The Fund will support the strengthening of capacities in recipient countries, where needed, to enable them to meet the Fund's environmental and social safeguards, based on modalities that shall be developed by the Board.

## **XI. Accountability mechanisms**

67. The Fund's operations will be subject to an information disclosure policy that will be developed by the Board.

68. The Board will establish an independent integrity unit, to work with the secretariat and report to the Board, to investigate allegations of fraud and corruption in coordination with relevant counterpart authorities.

69. The Board will establish an independent redress mechanism that will report to the Board. The mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations.

## **XII. Expert and technical advice**

70. In carrying out its functions the Board will develop mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate.

## **XIII. Stakeholder input and participation**

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

## **XIV. Termination of the Fund**

72. Termination of the Fund will be approved by the COP based on a recommendation of the Board.



## Annex II

### Members of the Transitional Committee

Ms. Vanesa Valeria D'Elia (Argentina)  
 Mr. Ewen McDonald (Australia)  
 Mr. Aparup Chowdhury (Bangladesh)  
 Mr. Derek Gibbs (Barbados)  
 H.E. Ms. Audrey Joy Grant (Belize)  
 H.E. Mr. Sergio Barbosa Serra (Brazil)  
 Mr. Idrissa Ouedraogo (Burkina Faso)  
 Mr. Rob Stewart (Canada)  
 Mr. Jinkang Wu (China)<sup>1</sup>  
 Mr. Tosi Mpanu Mpanu (Democratic Republic of the Congo)  
 Mr. Per Callesen (Denmark)  
 Mr. Omar El-Arini (Egypt)  
 Mr. Carlos Gerardo Acevedo Flores (El Salvador)  
 Mr. Newai Gebre-ab (Ethiopia)  
 Mr. Rémy Rioux (France)  
 Mr. Michael Adande (Gabon)  
 Mr. Manfred Konukiewitz (Germany)  
 Mr. Yaga Venugopal Reddy (India)  
 Ms. Francesca Manno (Italy)  
 Ms. Naoko Ishii (Japan)  
 H.E. Mr. Ernesto Cordero Arroyo (Mexico)  
 Mr. Rachid Firadi (Morocco)  
 H.E. Mr. Paul Oquist Kelley (Nicaragua)  
 Mr. Kjetil Lund (Norway)  
 Mr. Farrukh Khan (Pakistan)  
 Mr. Javier Roca Fabian (Peru)  
 Ms. Bernarditas Muller (Philippines)  
 Mr. Andrzej Ciopinski (Poland)  
 Mr. Kwang-Hae Choi (Republic of Korea)<sup>2</sup>  
 Mr. Alexey Kvasov (Russian Federation)  
 H.E. Mr. Ali'ioaigi Feturi Elisaia (Samoa)  
 Mr. Ahmed Mohammed Al-Abdulkader (Saudi Arabia)  
 H.E. Mr. Burhan Gafoor (Singapore)  
 Ms. Alicia Montalvo Santamaria (Spain)  
 H.E. Mr. Trevor Manuel (South Africa)  
 H.E. Mr. Jan Cedergren (Sweden)  
 Mr. Bruno Oberle (Switzerland)  
 Mr. Gilbert Metcalf (United States of America)<sup>3</sup>  
 Mr. Nick Dyer (United Kingdom of Great Britain and Northern Ireland)  
 Ms. Carol Mwape Zulu (Zambia)

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<sup>1</sup> Replacing Mr. Weifeng Yang (China).

<sup>2</sup> Replacing Mr. Hyung-Hwan Joo (Republic of Korea).

<sup>3</sup> Replacing Ms. Marisa Lago (United States of America).